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# ***JPRS Report***

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# **East Europe**

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# East Europe

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**Deputy Bank Director on Central Bank Law**

AU2404085192 Tirana Network in Albanian 1330 GMT  
23 Apr 92

[Interview with Kristaq Luniku, deputy bank director, by Zamira Koleci at the People's Assembly in Tirana on 23 April—recorded]

[Text] [begin recording] [Koleci] The Albanian parliament approved the Law on the Albanian Bank last night. There were many discussions and suggestions concerning this issue. We invited Mr. Kristaq Luniku, the deputy bank director. Will you please tell the listeners what this law represents?

[Luniku] The approval of this law by the pluralist parliament is a fundamental change in the economic life of our country, because we know that a banking system has never existed in our country. This makes possible and is the first step toward the establishment of a banking system in our country. This system will be organized in the form of a Western banking system. We will set up the Central Bank, which will apply the country's monetary policy and exert control over its branches throughout the country. Moreover, the approval of this law enables the Central Bank to apply our country's monetary policy, which will clearly define all the goals we will pursue. The Central Bank will be independent from the state, government, and parliament, but it is clear that they will closely collaborate with each other to achieve the goals that the economic reform puts forward.

[Koleci] The parliament discussed many problems at length. As you mentioned, they discussed the problem of the bank's dependence. Can you explain this in detail?

[Luniku] The law on establishing the banking system in Albania states that this will be an independent system, i.e., the Central Bank will be independent from the state and parliament. This bank will only inform the parliament about the monetary policy that the bank will follow for a six-month period and the goals achieved during the previous period. The State Bank, i.e. the Central Bank, will present through its monetary policy a special program that will have at its basis the present economic situation. This economic basis is at present very grave. We will also define several goals that the bank will try to achieve. These goals will vary from one six-month period to another. Some of them will have priority in one period and several in another. These goals will include inflation, arrangement of the payment balance, the percentage of the increase in production, or the payment of some amounts of the domestic and foreign debt.

[Koleci] This law comes into force immediately. As this is included in the law, can you tell us how the bank will be organized?

[Luniku] The law states that, as soon as the law comes into force, the bank should present to parliament its monetary policy program for a period of no longer than six months. We are working on the drawing up of this monetary policy. Moreover, we have to solve the problem of restructuring the bank organizationally. For a year, we have been working on this issue by cooperating with the international monetary and finance institutions. We have worked intensively with the International Monetary Fund [IMF] in compiling this law, which has been our primary principle and will be the basis and the first step in enabling us to draw up our program with the IMF representatives. The third phase of this program will be support by IMF resources.

[Koleci] Thank you, Mr. Luniku.

[Luniku] Thank you.[end recording]

**Duray Attacked in Hungarian Minority Paper***92CH0448A Bratislava UJ SZO in Hungarian  
16 Mar 92 p 4*

[Commentary by Mihaly Toth: "The Enfranchised Citizen Asks"]

[Text] On Thursday I was still surprised when I read the standpoint of Marcelhaza [Marcelova] citizens regarding the three-party election coalition of the Hungarian political parties. I was surprised because I thought that it was superfluous to urge something when everyone was convinced of the need for it. It is plain as day that, under the present political conditions, Coexistence, the Hungarian Christian Democratic Movement, and the Hungarian Civic Party (the former FMK [Independent Hungarian Initiative]) must form an election coalition. In view of the 5- or 7-percent "threshold" [that the Electoral Law sets], everyone must support this idea, even those who otherwise would prefer that the local political forces exercise their legislative duties separately, in accordance with the interests of their respective constituents.

Today I am no longer surprised and regard as a prudent act the Marcelhaza manifesto urging the formation of a three-party coalition. Where life is in full swing, it seems, people sometimes are able to sense danger more quickly than in the capital, where politics is being devised in the offices of the political parties.

I refuse to believe my own eyes when I read what conditions the leaders of Coexistence and of the Hungarian Christian Democratic Movement have set for the continuation of coalition talks with the Hungarian Civic Party. They want the party to withdraw from the ruling coalition and then to declare itself a member of the "constructive opposition." They are demanding something that not even the deputies who—led by Jan Klepac—walked out from the Christian Democratic Party, and who evidently are leaning toward the Meciar line, were willing to do. Even they had some vestigial sense of statesmanly responsibility to finally realize into what catastrophe a cabinet crisis could plunge Slovakia today.

If today, not quite three months before the elections, someone were to cause a cabinet crisis, that would have catastrophic consequences. And if the political force triggering the cabinet crisis happened to be Hungarian, then specifically we, Slovakia's ethnic Hungarians, would suffer the unforeseeable negative consequences of such a step. Tomorrow and the day after, neither the Czechs nor the Slovaks would be reproaching us because there once was a certain Hungarian Civic Party that had contributed to a large extent toward Czechoslovakia's disintegration. Instead, they would comprehensively blame the Hungarians as scapegoats, because people in this part of Europe are inclined to pronounce collective guilt. And not just the Czechs and Slovaks, but also the entire democratic world, which is following with keen interest what is happening in this country.

Coexistence and the Hungarian Christian Democratic Movement are demanding the impossible of the Hungarian Civic Party. And this impossible demand is being made in the spirit of forging Hungarian unity. Those who are making the creation of conditions for the formation of an election coalition impossible, by demanding withdrawal from the government, are the ones who are shouting the loudest for unity and talking the most of the need for a three-party coalition.

Everyone is clearly aware whose interests would be served by a cabinet crisis in Slovakia today. The interests of those nationalist forces that in numerous instances attempted to create chaos and to undermine the country's stability. Those attempts failed in Slovakia's entire political life. Now that might succeed with the help of the Hungarians. It would succeed, if the Hungarian Civic Party were to accept the conditions dictated by Coexistence.

**Comments on 3 Moravian Autonomist Parties***92CH0447B Prague REPORTER in Czech  
11 Mar 92 p 2*

[Commentary by Ivo Savara: "The Strange 3 Branches of Svatopluk"]

[Text] The legendary three branches of Svatopluk, mentioned so many times in the political struggle for the independence of Moravia, were to become the symbol of Moravian concord. But for the moment everything indicates that the exact opposite will be the case, because of those political parties which embrace the idea of independence, or at least autonomy, for Moravia, nobody in the trinity Movement for Self-Governing Democracy-Society for Moravia and Silesia [HSD-SMS], Moravian National Party, and Movement for Moravia and Silesia has learned any lesson from this mythical parable.

In the meantime, everything on the Moravian political stage still seemed to be in perfect order by the middle of January. HSD-SMS finally managed to get rid of their not very popular vice chairman Tuzinsky, who has been accused—probably not unjustly—for suspicious financial machinations (many millions of the party's money was allegedly deposited, naturally without the approval or even knowledge not only of the membership but the leadership as well, with silent partners who are said by critics to be companies belonging to former members of State Security). In addition, the name Tuzinsky figured in scandals connected with the project of the hotel Baron Trenck in Brno. The leadership of the party thus improved the image of its officials at least a little bit.

Although the Moravian National Party, which on its part is being derided on account of its leader's colorful political past, has been looking very hard for coalition partners, it nevertheless confirmed that its main coalition partner is and will be HSD-SMS. Then, of course, very strange, even incomprehensible, things began to happen. First, it became known (it is difficult to say whether intentionally or through indiscretion) that the



Moravian National Party is considering an election coalition with the Slovak National Party. True, both parties have the word "national" in their name and, after all, also in their program. However, in spite of some common features there is, or at least there ought to be, one rather substantial difference; whereas the Slovak National Party is openly making it clear that its goal is to break up the common state, the Moravian National Party insists that more than anything else it wants to see it preserved. It holds the common state so dear, it seems, that in order to preserve it, it is willing to link up with anyone, even with a party that wants to break it up. If it seems to anyone that this logic has been turned on its head, the chairman of the Moravian National Party will easily explain it: The Slovak National Party has in reality no intention of breaking up the common state, that is a lie spread by the Czechs. On the contrary—it wants a common state... with Moravia, possibly with Moravia and Silesia.

Somewhat later a HSD-SMS congress took place, from which emerged another surprise: The coalition partner of HSD-SMS will not be the Moravian National Party, because according to the statement of HSD-SMS chairman Jan Krycer "a coalition with the Moravian National Party is not possible, because building HSD-SMS policies on the national principle could, in light of the events in Yugoslavia, have a negative impact on the internal political developments here." True, this did not come about without some personnel changes, because not everyone in the HSD-SMS by a long shot considered this change to be correct. Nevertheless, the nimble helmsmen set the new course and with fully extended sails steered their rickety, shaking boat into the arms of the Liberal Socialist Union, in which they see their best hope in the elections.

And so the Moravian National Party is now a "wall-flower." But it keeps on fighting bravely—at least with words. It subjects its former most faithful ally, with whom it fought hand in hand against the bureaucratic Pragocentrism and staunchly defended Moravian nationality, to scathing criticism and mudslinging. HSD-SMS, it is said, chose asking for forgiveness as its negotiating tactic, which obviously is leading nowhere. It was hampered by its ambition to be in the government coalition and have its own minister, so that in the end it became neither a party of the government coalition nor an opposition party, but was left a total outsider, and the solution of the Moravian question is still at point zero. All these—and many other—mistakes are of course blamed only on the leadership, because the rank and file members of the HSD-SMS allegedly hold the same views as the leadership of the Moravian National Party. "We remain the only political force which keeps on pushing Moravian demands," thunders the leader of the Moravian National Party, Ivan Drimal. And he goes still further: The only defense against Germanization that threatens from the West, instability that threatens from the East, as well as against cosmopolitanism mightily proclaimed by the old structures (in fact, then, against

everybody) can be, according to Drimal, patriotism. Naturally, Moravian patriotism, or possibly Moravian and Silesian. At this time, of course, Moravians do not even have the rights of a national minority according to him, which is the reason for the complaint filed with the Constitutional Court.

Naturally, a reply soon came from HSD-SMS, but not as sharp as could have been expected. Flirting with the Liberal Socialist Union came to a halt, it seems, because the Green Party in particular refused to go into the elections under the sign of the Moravian eagle, and did not even agree with the preferred candidates of HSD-SMS, which were the two basic conditions for the entry of HSD-SMS into this coalition. Although HSD-SMS continues to reject coalition with the Moravian National Party, it is offering all independent candidates from the ranks of that party places on its ballots! Left somewhere in the background was the third branch of Svatopluk—the Movement for Moravia and Slovakia, which was established after splitting from HSD-SMS. Their mother movement—that is, HSD-SMS, would like to cooperate even with them. It is complaining bitterly, however, that this disobedient child is not doing anything constructive and limits itself only and exclusively to criticism, or to be more precise, attacks. For completeness' sake let us mention that HSD-SMS has two deputies' clubs in the parliament, one rightist and one leftist (in today's uncertain times two irons in the fire provide much more security) which agree with each other only rarely.

The leaders of all three parties with the Moravian program are therefore fighting mightily, even though more among themselves than for Moravia, deputies vote as it suits each of them at the moment, and members and supporters of these parties are slowly beginning to lose their way in this confused situation. And what do the rank and file people in Moravia say to all that? They mostly have entirely different things to worry about....

### Attractiveness to Foreign Investors Examined

92CH0436A Prague EKONOM in Czech  
26 Mar 92 pp 16-18

[Article by Jaroslava Durdisova: "Is Czechoslovakia Adequately Attractive to Foreign Capital?"—first paragraph is EKONOM introduction]

[Text] The influx of foreign capital into Czechoslovakia continues to remain an effective topic for numerous discussions on the ongoing transformation of the Czechoslovak economy. Views regarding its role in this process range within the broad corridor outlined by the extremes of its "all-saving nature" on the one side and fears that "Czechoslovakia will be sold off" on the other side. The following contribution is an attempt to map out the current status and to outline the conditions which make the influx of foreign capital easier, as well as those which discourage it—specifically adapted to the case of Czechoslovakia.

The accelerated transformation of the Czechoslovak economy and a fundamental increase in its efficiency cannot be realized solely on the basis of our own resources. Results in this field will, to a considerable extent, be dependent upon the participation of foreign capital. The importance of foreign capital does not lie only in eliminating the general shortage of domestic capital for privatization, but also in the influx of modern technologies, experiences in banking and financing services, in managerial capabilities, and in marketing.

Enterprises with foreign property participation, including those in which foreign capital has a 100-percent participation share can, in this regard, increase the competitiveness of our goods and services and assure the availability of the capital necessary for the initiation of the above-named processes which are essential as conditions for entry into world markets. A consequence of the influx of foreign investments which cannot be ignored is also the anticipated increase in the demands placed upon work discipline, not only with regard to employees of joint ventures, but, as a result of the influence of the competitive environment, also in regard to employees of the remaining enterprises.

In solving questions connected with the influx of foreign investments into the Czechoslovak economy, it is essential to take into account some important basic considerations. The most significant factor is the acquisition of the necessary capital. And here, the effort is to see that conditions for its acquisition are as acceptable as possible. Toward this end, however, it is necessary to work out alternative longer-term programs for the utilization and allocation of capital, based on the overall national economic strategy which must, among other things, react also to the entire complex of factors and determinants connected with the acceptance of foreign capital.

As some findings from throughout the world have shown, some substantial changes occur in this sector. It is, therefore, necessary to see that lasting and proportional effects, rational functioning of market relationships can be anticipated only in the event of a positive solution, accompanied by an active reaction to world trends.

However, realistically, it must be said that, at present, we are dealing with factors which are functioning to a limited extent for the time being. Even for these reasons (but not only for these reasons). It is not possible to rely on some kind of automatism in this area, but it is essential that the state have an active economic policy. The central economic organs can assist in solving important questions regarding the benefits or risks inherent in the given intentions, in selecting foreign partners, in appraising the value of the property of our enterprises, and in creating clear concepts of Czechoslovak interests.

#### Forms of Foreign Investment

The most important and currently totally predominant form of capital participation are direct foreign investments realized as follows:

- Through capital participation in joint ventures.
- Through the establishment of independent enterprises or affiliate enterprises and sister corporations on the territory of the CSFR, without the participation of domestic capital.
- Through participation of foreign capital in the privatization process.

These direct foreign investments can be realized either by individual foreign firms who are strong in the capital area or by funds of entrepreneurial capital (venture capital funds) which combine several investors in a joint venture or in a business undertaking in our economy.

Throughout the world, direct foreign investments are showing a rising trend, something which is connected with the fact that, beginning approximately in the mid-1970's, preference for cheap labor and lower production costs gave way to an express strengthening of the technological and commercial sides of direct foreign investments. The fundamental reason for these shifts was the express decline in the share of expenditures for manpower and, thus, also the decline in overall production costs. However, there are other factors at work here, too, such as the integration processes in the European Community, etc.

Five of the most highly developed countries in the world have a decisive share in foreign investments (Japan, Great Britain, the United States, France, and the Federal Republic of Germany), and account for about 80 percent of the exported capital and approximately 60 percent of the acceptance of direct foreign investments.

A second important form of capital participation is the purchase of securities of Czechoslovak stock corporations. Its significance is dependent upon the functioning of a securities market, which is in turn based on the full liberalization of the movement of capital. From the standpoint of the present status, this is, thus, primarily a future form for the participation of foreign capital.

#### Conditions That Attract Foreign Capital

Currently, foreign capital prefers countries where the following are to be found:

- Above-average net profits.
- Inexpensive and yet qualified manpower.
- A necessary level of production, export, and consumption capacity of the national economy.
- Adequate facilities regarding the infrastructure.
- Political and social stability and advantageous financial monetary conditions (a stable currency, its convertibility, a lower degree of indebtedness, a possibility to export profits, etc.).

World tendencies in this area will also be influenced by the anticipated assertion of foreign capital in this country. Consequently, it is important to create optimum conditions for its influx. Of primary importance is the creation of business prospects for the economy.

### Czechoslovakia's Attractiveness for Foreign Investors

Foreign investors evaluated the starting field of our republic in a very positive manner among the countries of the Eastern bloc. The reasons are represented primarily by a relatively better economic level, a relatively low degree of foreign indebtedness, inexpensive and qualified manpower. Similarly, the devaluation of our currency created advantageous monetary conditions for foreign investors.

Convertibility of the currency and the opportunity to transfer deposited capital and created profits back abroad are important to the entrance of foreign capital. The internal convertibility of the koruna [Kcs] is a good foundation for the actual realization of this requirement. The current increase in foreign exchange reserves is one of the important stabilization factors in this area.

In addition to the positives, it is necessary to have an objective view of the fact that our prestige is suffering certain fissures. The general confidence of foreign investors is disrupted as a result of the ongoing disputes regarding jurisdiction, disputes regarding the constitutional arrangement as well as changes in the profile of decisive political groupings. The obsolete infrastructure also has a negative effect. Certain amounts of insecurity result from the slow progress being made in solving ownership relationships and in taking practical steps toward changing ownership relationships.

### Statistics on Foreign Capital Tell the Tale

Toward the end of 1990, the Federal Ministry of Finance had recorded more than 1,400 enterprises with foreign property participation. During the first five months of 1991, this number more than doubled (to 2,900 enterprises), including 800 enterprises with 100-percent foreign property participation.

However, it must be noted that, for the most part, these were small enterprises (businesses with capitalization of less than Kcs100,000 accounted for more than one-third of the total number) and only seven enterprises had capitalization exceeding Kcs100 million.

#### Number of Enterprises With Foreign Property Participation Broken Down by Country of Origin of Foreign Capital

Country of Origin of Foreign Capital	5 Jun 91	10 Sep 91
Austria	174	244
Federal Republic of Germany	114	162
Switzerland	40	48
Commonwealth of Independent States	17	23
Great Britain	17	21
Italy	16	27
Netherlands	13	25
United States	12	22

Sweden	11	13
France	11	12
Others	49	79
Total	474	676

The above data represent the number of enterprises with foreign capital participation, whose activities were permitted by the Federal Ministry of Finance. In view of the fact that the permit proceedings of the Federal Ministry of Finance were terminated in April 1991, no other data are available at the ministry. The overall development tendency, insofar as participation by foreign capital is concerned, is visible from the records on the Investment Bank which monitors the number of foreign participants registered in the Commercial Register. A comparison between these two record systems indicates that only a small part of the enterprises with foreign property participation has progressed sufficiently far with respect to their business activities to be registered. Of 2,900 enterprises, whose activities were permitted by the Federal Ministry of Finance, only 474 enterprises from 29 countries registered in the Enterprise Register by 5 June 1991. However, this number is rapidly rising. By 10 September 1991, it had risen to 676 foreign participants from 35 countries.

Also, the regional structure of foreign participants is interesting (see table).

Data on the overall volume of basic capital at the disposal of joint ventures is less favorable. According to the records of the permit proceedings of the Federal Ministry of Finance, a basic capital of approximately Kcs30 billion was recorded for 2,900 permitted enterprises with foreign capital participation, but by 5 June 1991 the amount of basic capital subscribed for joint ventures amounted to only Kcs3.1 billion. This sum increased to Kcs3.7 billion by 11 September 1991, although only Kcs 1.8 billion represented the foreign capital share. However, the volume of the hidden participation of foreign capital in the first round of small-scale privatization and how this hidden participation is to be evaluated is a question.

Currently, there is no reliable record available even as to the number of foreign participants or regarding the volume of foreign capital involved. It is obvious that the second round of small-scale privatization brought about an increase in the number of foreign participants (they are estimated to number 4,300), even though smaller enterprises continue to dominate.

### Obstacles Preventing the Influx of Foreign Capital

The influx of foreign capital obviously does not measure up to the notions or expectations—some of which were possibly overoptimistic—of the time horizon applicable to the transformation process. If we disregard the subjective element of these notions, it is possible to see the relatively slower or more hesitant entry of foreign capital

in external and, thus, objective deviations on the one hand and in domestic reasons on the other hand—reasons which are thus, for the most part, subjective in our view.

The most important external obstacle which is a barrier to the entry of foreign capital can be considered to be the disintegration of the market of the former CEMA countries and the unstable internal political situation in the successor states of the former Soviet Union. This situation destabilizes security in all of central and East Europe and increases entrepreneurial risk involved in investing in this entire region, in other words, also in the CSFR. In an economy which has hitherto been focused quite predominantly upon the market in the CEMA countries, this must, necessarily, result in increased sales difficulties, something which, as far as its consequences are concerned means a decline in production, a growth in unemployment, and increased indebtedness on the part of enterprises. This situation, together with an inadequate adaptability of Czechoslovak enterprises, is manifesting itself in increased caution on the part of foreign investors and intensifies the negative influences which impact upon the enterprise sphere as a result of a restrictive policy as an essential condition for the transformation process. This restrictive policy, on the other hand, does make it possible to realize some pro-export measures with a goal of increasing the export capabilities of enterprises and to thus assure more favorable development of Czechoslovak payment conditions, and thus also a more favorable development of the rate of exchange vis-a-vis fully convertible currencies.

Of course, there are a whole series of domestic reasons and that is why I shall concentrate only on the most important ones. One of the key reasons is an extra-economic one—the increasing political instability, caused by the inability of political representatives and legislative organs to solve questions of responsibility and of the constitutional arrangement with finality. This also expressly influences the pace and quality of legislative changes on which the entire transformation process is directly dependent and which also determine the measure of confidence exhibited by foreign businessmen. To a limited degree, these problems are solved by international agreements on mutual support and protection of investments, which guarantee investors their fundamental economic securities, independent of any internal legislation affecting the signatory parties.

The Federal Assembly adopted a commercial code which represents the fundamental code for business activities and specifically simplifies the hitherto not clearly arranged and fragmented body of economic legislation. The Commercial Code, which went into effect on 1 January 1992, rescinded the validity of 84 hitherto valid legal standards and, to a considerable extent, provided a better arrangement even for the hitherto fragmented body of legislation regulating the conditions for the activity of enterprises with foreign property participation. Nevertheless, consideration is being given to the need and purposefulness of working out a proposed law

on foreign investments which would augment the Commercial Code by the addition of specific conditions governing the activities of foreign capital on the territory of the CSFR.

Even the comprehensive reconstruction of the tax system, which is under preparation, falls into the area of legislation which influences the conduct of foreign investors.

Ownership relationships in the CSFR represent highly uncertain ground for foreign investors.

Although this problem will be solved from the legislative standpoint (primarily by laws on restitution and transformation, by both portions of the land reform law, by an amendment to the Civil Code, and by other legal measures), the actual realization of these relations, which is progressing in a time sequence of restitution—termination of restitution—privatization—termination of privatization—free movement of property, represents a time-demanding sequence which does not permit the acceleration of efforts to definitively clarify final ownership, and thus also the free movement of capital.

If, as a result of being underestimated during the period of centrally directed management, information science is one of the most obsolete disciplines in our economic and social life, the status of information in the area of business opportunities is no exception. This situation is to be improved by the Federal Agency for Foreign Investments (FAZI) attached to the Federal Ministry of Economics, in collaboration with similar institutions created at the level of the republics. The mission of the FAZI agency also includes the analysis of changes in the world investment market, as well as institutional and political barriers to the entrance of foreign investments into Czechoslovakia.

A problematic question is the financial stimulation resulting from the influx of foreign investments. Currently, a foreign investor only has the opportunity to request that his activities be exempt from the tax obligation for the first two years which, in comparison with other countries, particularly with Hungary and Poland, is very little according to some economists (in Poland, enterprises with foreign capital participation are automatically exempt from income taxes for a period of three years and sectors which receive preferential government treatment are exempt from income taxes for a period of six years; in Hungary, where income tax rates are generally lower in comparison with Czechoslovakia, the advantage of reduced tax rates is offered for a period of five years and in preferential sectors there is a five-year tax exemption, accompanied by additional advantages resulting from investment in backward regions). It is a fact that these more advantageous conditions undoubtedly act as a greater stimulus; however, on the other hand, they result in longer-term declines in revenue for the state budgets and, thus, also in delays in balancing



these budgets from the standpoint of the needs in the area of public consumption and in the area of supporting domestic capital.

Furthermore, it is a fact that some European countries which are not at the economic peak (Spain, Portugal, Greece) provide as much as 50 percent in subsidies for large investment operations including foreign participation and that the EEC must, in fact, limit the measure of financial preferences used by some countries in efforts to acquire foreign investors. Of course, in this case, this does not involve systems measures, but individual solutions of state coparticipation or possibly measures designed to advantage specific individual activities.

An inseparable part of the market mechanism or a necessary condition for its functioning is a capital market. Its full functioning is totally dependent upon the free movement of capital which, as far as Czechoslovakia is concerned, is as yet only a target solution to its full extent. Nevertheless, it is essential to begin creating a capital market, even though to a limited extent, restricted by the current situation involving the possibilities for capital movement.

One of the largest problems facing large-scale privatization, which is connected with the influx of foreign capital, is the appraisal of enterprises. The simplest method is the accounting valuation of an enterprise, something which is, however, of very little relevance for two reasons: First of all, accounting values, based on the formally deformed economic relationships, are of little value and, moreover, do not capture the current market value of an enterprise because the analyses of the financial situation and profitability of the enterprise in previous years in a different economic environment are essentially worthless. For domestic businessmen, but primarily for foreign businessmen, the decisive factor is profit which can be achieved in the future given the present equipment in enterprises and the estimated profit which it would be possible to achieve given appropriate modernization investments. If the valuation of material property is complicated, then valuation of nonmaterial property, such as the circle of current and potential customers, the qualification of employees, the trademark, the reputation (seriousness) of an enterprise in domestic and foreign markets, etc., is still more complicated. At that, every foreign interestee has a different limit up to which he is willing to pay. This is not only a matter of his solvency, but also of the intentions he has regarding the enterprise as its next owner or stockholder, that is to say, whether he is willing and capable of modernizing the enterprise or investing in further enterprise development, etc.

The problem involved in appraising an enterprise also lies in the fact that domestic auditing enterprises are lacking adequate domestic and international experiences for the time being, while foreign experienced firms have difficulty orienting themselves in the economic conditions of Czechoslovakia.

A final retarding factor (not as far as its importance is concerned, however) is passivity on the part of a number of enterprises or their management, resulting, on the one hand, from a certain degree of resignation as a result of the unfavorable financial situation and, on the other hand, as a consequence of the previous centralized method of decisionmaking. These enterprises (their numbers are not negligible) do not have a clarified concept of their development and, thus, have not even worked out any developmental programs. Although this is not specifically an obstacle to foreign investors, it makes their orientation more difficult and, what is even more important, it lowers the standing of the enterprise and its value in negotiations involving foreign partners.

The inertia in the thinking and in the approaches used by management cadres of these passive enterprises is, to a certain extent, a natural consequence of their being deliberately trained to be passive, training which has been so long-term that today there is no longer a generation in the active years that would know, from practical experience, what is meant by entrepreneurial freedom and what entrepreneurship is at all. Although this is understandable, it is not possible to be reconciled to it. The only solution lies in the area of personnel change. It is necessary to trust the young generation far more expressly and not to be afraid to allow it to have access into the decisionmaking area together with those from the older generation who are still capable and willing to become rapidly familiar with the knowledge and capability required under the new conditions. Participation by the remainder can be counted on only in the area of realization pertaining to already adopted intentions and decisions.

#### First Steps Taken by EBRD in East Europe

92CH0408A Paris LE MONDE in French 17 Mar 92  
pp 34, 40

[Article by Francoise Lazare: "The European Bank of Reconstruction and Development, or Poor Europe's Chic Bank"—first paragraph is LE MONDE introduction]

[Text] Inaugurated with much pomp nearly a year ago, the European Bank of Reconstruction and Development [EBRD] is now funding its first private projects in East Europe. It hopes they will be profitable.

Two years ago Jacques Attali liked to amuse himself by sketching out the new face of Europe in his Elysee office. He envisaged unified political goals in a peaceful and democratic continent, the largest economic block in the world, and more. The fall of the Berlin Wall, the velvet revolution, and the death of Ceausescu were all symbols of an historic upheaval whose magnitude could not fail to seduce President Mitterrand's special adviser. To unify and solidify the new Europe, a bridge had to be built between the East and West, and that bridge would be a big international institution to handle both commercial and diplomatic business. It would be called the European Bank.

Is the novel institution, which in the end was saddled with a more mundane acronym (BERD in French and EBRD in English), the center of the new Europe? Or is it, as one wag put it, the most costly career change, Jacques Attali's, in the world?

London, 0730 hours. In the heart of the city, in a glass building like most of those surrounding it, employees are beginning to file in. Their sober attire, the stark lobby, the receptionists, security guards, and soft light leave no room for doubt: You have entered a business bank. A few persons are gathered in a corner of the lobby, baggage piled at their feet: no doubt recent arrivals on a business trip. Into the carpet is woven a vaguely Olympic symbol showing two intertwined circles against a blue background. The elevator flashes the names of the departments: finance, personnel, president's office. None of them can be entered without a magnetic card.

### Doubts

"I'd rather dine with people from the Banque Lazard than from the EBRD." Czechoslovak Finance Minister Vaclav Klaus caused a sensation when he dropped that little remark at the EBRD's inauguration in April, 1991. And yet, entering the bank's London offices, Mr. Klaus could easily imagine himself in a huge New York or London business bank. It is only when you notice the unusual names of certain departments—political unit, development bank—when you spy a few matriochkas on the shelves or a photo of Dubrovnik in flames on the president's desk, or when you catch an occasional accent evocative of Central Europe that you discover its business is to transform former socialist economies, and not sponsor Western style mergers or acquisitions.

In just over a year, amid the doubts of a portion of the international financial community and the gibes of the press, the EBRD has become a reality. There is hardly any criticism that has not been leveled against Jacques Attali and his team. The EBRD has been termed useless (several international organizations capable of helping East Europe transform its economy already exist) and costly; its president has been judged less than competent—a theorist of nationalizations bitten by the privatization bug—and authoritarian.

The bank's new international civil servants tried to ignore the attacks and get to work, as discreetly as possible, since any sort of publicity was an invitation to sarcasm. The EBRD recruited massively (see boxed material), set up teams in East Europe, and issued its first loans. For many months, one could justifiably wonder what the bank was up to. A recent trip to Warsaw, for instance, turned up the fact that the EBRD is virtually non-existent in the country that pioneered sweeping economic transformations. It has no permanent representative, and is barely involved in a few international funding ventures....

"A year ago, everything was done for show. Press communiques were uppermost in everyone's mind," admits an EBRD official in describing the actions of the bank and its president.

Since the beginning of the year, the EBRD—which has already worn out so many public relations officers that an audit has been commissioned on the subject—has started to publicize its achievements. At the end of January, 1992, it allocated funding for its first private-sector project, the modernization of a printing plant in Hungary. The bank has drawn up strategic plans for each East European country and most economic sectors (distribution, energy, and so on).

### Junk

Clearly, Jacques Attali and his colleagues have done their utmost to avoid mistakes. The bank's board of directors includes 23 administrators who represent its 40 stockholder countries, the number of which expands with the political upheavals in the region. The board monitors their activities closely and the other international organizations still view the EBRD with skepticism. Although East Europe's needs are immense, selecting operations is a touchy matter. "We are not short of funds, only of good projects," is the comment frequently heard in the bank's London offices. "We have to sift through a pile of junk to find the good investments," as one bank official puts it more bluntly.

Nonetheless, the EBRD is now involved in all the areas that it had designated for action: privatization consulting (for the Ukraine Government for example); financing of private companies (such as the Hungarian printery); infrastructure modernization (such as Romania's telecommunications network, the largest project approved to date); and technical assistance (developing wholesale commerce in Russia, among other projects). Nearly 500 million ECU's [European Currency Unit] (3.5 million French francs [Fr]) were invested in 1991, according to Jacques Attali. That sum will be raised to 1.5 billion this year, and then doubled again in 1993. The bank's capital of 10 billion ecus is slated to be increased in two years. In other words, the EBRD is starting to roll. It still lacks a corporate culture, and that is indeed one of its president's concerns. "One-third World Bank, two-thirds Banque Lazard," as Jacques Attali liked to put it. In fact, the gap between the teams which are mainly concerned with profitability and those that work on infrastructures and improving the quality of life is often yawning. The bank's president frankly describes their relations as "conflictual." The teams in charge of large projects are quick to point out that providing local communities with basic equipment is vital, even if not "the most lucrative or visible" activity.

### Terminology

"We are providing technical assistance in disguise," retorts a member of the business bankers team. The banker explains that setting up an operation in East

Europe also means teaching personnel how to draft contracts. So being a banker in East Europe involves more than just making money!

To close the ranks within the troops, Jacques Attali is stepping up the number of meetings and has even gone so far as to insist on the use of a "made in the EBRD" terminology. For instance, East European countries are not to be referred to as borrowers, but "countries of operation."

Now that the organization has finally begun to turn round, the breakup of the Soviet Union opens up new prospects for the EBRD. The former Soviet Union's share of capital was split up in February, to incorporate the republics. East European countries' fears that the ex-USSR's immense territory will siphon off most of the bank's resources has led to a guideline fixing its share at 40 percent of the sum allocated to operations. There is no shortage of work for the next few years. In the short term, officials will have to continue meeting applicants, reviewing funding proposals, tailoring technical missions, studying Russian, making new speeches, establishing the bank's credibility, and constructing the new Europe. Rome was not built in a day.

#### The "Door-Openers"

The ordinariness of the EBRD's offices sometimes hide unexpected employees. Among them are a former adviser to the president of the French Republic, a former Hungarian prime minister, a future director of the Japanese Treasury, and a former Russian finance minister. In all, 30 nationalities are represented.

The head of the personnel department Miklos Nemeth, who was communist Hungary's last prime minister, confesses to being overwhelmed. Not only must he continue to recruit personnel, particularly to shore up the Russian department, but he must also handle salary raises! "The job of prime minister is like that of a big personnel chief," he is said to have remarked ironically not long ago. His department received 10,000 resumes in one year. Staff has increased from 10 in early 1991 to about 400, and the EBRD will soon have 600 employees.

Recruitment is an unqualified headache for all department directors. As Mario Sarcinelli, the former head of the Italian treasury department explains, it is not easy to find people who "speak Russian, understand macroeconomics, and will work under difficult conditions."

That explains the Hungarian emigres and high-ranking Japanese government officials, mixed in with the many deserters from Wall Street or the World Bank, found at the EBRD. Although the duties of most EBRD members are well defined, others are a bit fuzzy, to put it mildly. What does Boris Fiodorov, who was a brilliant Russian finance minister for a few months in 1990, do? "Boris is a 'door-opener', he knows everybody in Moscow," explains Jacques Attali. London is indeed a long way from Budapest or Moscow, and in East Europe, as everywhere, finance often depends on who you know.

#### Bank Supervision Regulations Under Preparation 92CH0436C Prague EKONOM in Czech 26 Mar 92 pp 24-25

[Interview with Eng. Stefan Veselovsky, senior director of the Department of Bank Supervision of the Czechoslovak State Bank, by Irena Satavova; place and date not given: "Bank Supervision"]

[Text] [Satavova] Bank supervision is an institution that has been newly introduced into our banking system, even though this concept is customary throughout the world. What was the impulse that gave rise to the necessity for introducing it into our vocabulary?

[Veselovsky] The practical conditions for the development of bank supervision were created after the transition of the Czechoslovak banking system to a two-step system. By separating the commercial banks from the Czechoslovak State Bank, the opportunity was created on the one side and the need arose on the other side to introduce the institution of bank supervision, which would assure effective supervision over the conduct of banking activities by the commercial banks. The legal framework for this was created by the adoption of the new Law No. 21/1992 Sb. on banking and Law No. 22/1992 Sb. on the Czechoslovak State Bank which is charged with this activity by the latter law. Within the Czechoslovak State Bank Center, the Department of Bank Supervision, charged primarily with methodical activities and preparation of legislative measures, came into being even prior to the approval of these laws; the actual implementation of bank supervision will be handled by independent departments in the principal institutions of the Czechoslovak State Bank in the republics.

[Satavova] However, the central bank is not the only institution that engages in bank supervision throughout the world. In the United States or in the Federal Republic of Germany, these are specialized institutions which are charged with this activity.

[Veselovsky] There are essentially two approaches to bank supervision: The first, with which a beginning was made, was based on the natural authority of the central banks which, for the most part, conduct this oversight and then there was the maintenance of a gentleman's agreement on the part of the commercial banks, which contained their pledge that they will respect this authority and will not abuse it by presenting false reports regarding their activities. This system was based on informal contacts and personal relationships.

With the growth in the number of commercial banks, the risk of commercial operations increased, there was speculation even resulting in bankruptcies of commercial banks, and this in turn required a transition toward a formal approach, based on strict adherence to adopted principles and rules regarding the circumspect business activities of banks. We have also opted for this more formal approach.



In some countries, bank supervision is not part of the central bank, but—something which does not happen frequently—is vested, for example, in the Ministry of Finance or is handled by independent institutions. Supervision of nonbanking institutions dealing in financial operations (leasing corporations, investment funds, etc.) or oversight over stock exchanges is handled by special oversight organizations and institutions. In this country, the question of overseeing nonbanking institutions and stock exchange transactions is in the preparatory stage.

[Satavova] What is involved in the activities covered by the concept of "bank supervision"?

[Veselovsky] The sense and the goal of bank supervision is to create rules for the so-called circumspect business activities of banks, adherence to which on the part of commercial banks should contribute to the efficiency and security of the conduct of banking activities. This is largely a matter of rules in the area of adequate capitalization of banks, liquidity, credit commitment, territorial and political risks, foreign exchange risks, but also other factors. According to these rules, the activities of individual commercial banks will be evaluated and this evaluation will show whether the bank is working efficiently or inefficiently, that is to say, that it is taking on excessive risk.

[Satavova] To what extent have these rules already been worked out?

[Veselovsky] Currently, they are going through the approval process with the plan being that they should be introduced in practice gradually over the immediate future. Most likely by the end of the first half of this year they will be published in the *GAZETTE OF THE STATE BANK OF CZECHOSLOVAKIA* and in the form of announcements in *SBIRKA ZAKONU*.

[Satavova] Can you at least give us an outline of the individual rules?

[Veselovsky] Adequate capitalization of banks is expressed as a ratio between the bank's own capital and its assets. According to Cook's rules of adequate capitalization, this ratio is set at 8 percent with the majority of economically developed countries (not only members of the EC) pledging to achieve this ratio by the end of 1992, based on the Basilej standards.

However, in setting the rules for circumspect undertaking in our country, it is not just a matter of setting the level of adequate bank capitalization, but also the time frame for achieving it. Alternative solutions for adequate bank capitalization and liquidity, as well as the other rules having to do with the banking business, will be submitted for approval to the Banking Council in the course of the second quarter and that is why I would not like to say anything more about them for the present. Perhaps I should only note in this connection that they were the subject of consultation with the IMF, as well as with the Basilej Committee for Bank Supervision, so that

they should converge with the rules which are now being prepared within the framework of the EC.

[Satavova] Permission for new banks to function—so-called permission proceedings—also falls under the jurisdiction of bank supervision. What kind of conditions must an applicant fulfill?

[Veselovsky] The measures and rules for permitting the existence of new banks were approved by the Banking Council in January of this year. The main condition is the depositing of basic capital at a level of 300 million korunas [Kcs].

Furthermore, the fulfillment of certain criteria having to do with founders of the bank is required. This is very topical because certain parallels exist here with the establishment of investment privatization funds. We will want to know the characteristics of the people working in the management of the bank, their experiences thus far, the financial situation of the founders, including the origin of the capital, and so on.

Another area subject to verification is the security of the bank's own activities, which includes its business intentions, the so-called business plan or commercial plan, worked out for the next three years (which will also be judged on its realistic nature), the organizational structure of the bank, its internal control system, the establishment of technical prerequisites, etc.

[Satavova] If it turns out that the prerequisites for engaging in the activities contained in the application for permission to act like a bank will later not be fulfilled in practical terms, do you have an adequate number of instruments for rectifying any further activities of these "unsound" banks?

[Veselovsky] If the bank reports other than the anticipated results, we can impose a certain special regime upon it. If it fails to take our recommendations into account, we have the right to resort to other recourses, including pulling its license as an extreme solution. In the area of sanctions, the law provides us with room for asserting individual approaches toward individual banks.

[Satavova] Will branches of foreign banks be subjected to the same rules?

[Veselovsky] The development of branch offices of foreign banks in our country is a new fact, given by the banking law, as of the beginning of February. Their establishment is subject to the same rules as those which apply to permitting the activities of new Czechoslovak banks.

There was much discussion of the question of their capitalization, because the rules which are to become effective within the framework of the European Community as of next year set the minimum level of basic capital for a bank at 5 million ECU's [European Currency Unit], which is approximately Kcs200 million. In exceptional cases, it is even possible to establish a bank

with lower capitalization, provided that this exception is subject to approval. Finally, it was decided that the lowest possible basic capital, even for branches of foreign banks, would be Kcs300 million because the Czechoslovak banking system is thus far still unbalanced with respect to a certain method and is less competitive in comparison with Western banks (it can be said that, for the present, enthusiasm for experience and pragmatic approaches prevails), and that is why we wish to evade the risks and possible problems by setting a higher level for mandatory basic capitalization. Moreover, we wanted to prevent the establishment of banks which are weakly capitalized and which would not provide guarantees that they will be able to meet their obligations—in the case of certain risks.

Personally, however, I expect that in a certain time horizon there will be unification of our procedure with the measures being prepared within the EC.

[Satavova] And how do you stand with respect to the much-discussed question of the laundering of dirty money?

[Veselovsky] In this regard, it must be said that, for the present, there is no uniform body of legislation and not even the term dirty money is essentially clarified. The definition would likely have to be as follows: Dirty money is money originating on the basis of illegal activities. This is particularly the case of drugs, prostitution, extortion or blackmail, and other criminal activities which are legally prosecutable in certain ways. The laundering of dirty money involves the legalization of moneys acquired in these illegal ways, something which primarily occurs (about 80 percent of the time) through the banking sphere.

One of the goals of banking supervision is to protect the Czechoslovak banking system precisely against the laundering of dirty money, even though it is not possible to claim that such activities are not already going on. For example, during the course of small-scale privatization, nobody checked on the origin of the money used to pay at auctions. The drug business is thriving and prostitution functions in our country, despite the fact that from the standpoint of criminal law it is not considered to be a criminal act.

The prosecution of money-laundering activities is extremely difficult. Our body of legislation has thus far been extremely benevolent in this regard and the people who engage in this activity are able to pay outstanding lawyers and financial experts who know how to make use of every nook and cranny in the previously incomplete body of legislation.

I must state that, in comparison with the other countries of central and East Europe, Czechoslovakia has made the greater progress in preparing legislation to impede the laundering of dirty money. Specifically, this involves the amendment of the foreign exchange law, certain provisions of the criminal law and the law on banking which state that banks are not obligated to accept deposits

greater than Kcs100,000 anonymously, but that they demand identification and demand to know the origin of the money. At the same time, the Czechoslovak State Bank is preparing a new decree on the circulation of cash money. The solution of these questions is also occupying an interindustry commission, composed of representatives of the Federal Criminal Police, the Prosecutor General of the CSFR, the Central Customs Administration, the Czechoslovak State Bank, the Banking Association, and the Federal Ministry of Foreign Trade. There is an effort to unify the approaches used against the laundering of dirty money even in the area of the OECD.

[Satavova] A final question: All Czechoslovak commercial banks and branches of foreign banks are subject to bank supervision exercised by the Czechoslovak State Bank. What if one of them should go bankrupt? Who will suffer the financial consequences and what is the responsibility of the Czechoslovak State Bank as the executor of bank supervision?

[Veselovsky] The Czechoslovak State Bank can only bear the financial consequences of a possible bankruptcy of one or another bank if it were one of its stockholders. A failure of bank supervision—be it for reasons of an incorrect approach by this bank toward us, the result of the forgery of documents, etc.—would, if we are not stockholders of the bank, have no financial consequences for us; of course, the moral detriment which we would suffer would be still worse.

### Problems of Pricing Deregulation Viewed

92CH0436B Prague EKONOM in Czech 26 Mar 92  
pp 20-21

[Article by Emanuel Sip and Jana Fuerstova: "Deregulation: Illusion or Necessity?"—first paragraph is EKONOM introduction]

[Text] Following a year of liberalized prices in the Czechoslovak economy, pricing policy stands at an important crossroad: That which was easily deregulated was deregulated. Price regulation was retained for centralized sectors which, in economic theory, are generally called public assets. In the world today, some economists continue to speak urgently of the need for extensive restriction of state incursions into this sphere; others emphatically warn against such steps. With the following articles, we are opening a short series of considerations on deregulation of prices in these sectors.

From time to time, every economy finds itself at a fork in the road, facing two possibilities: Either to embark precisely on already well-trodden paths and then to even repeat errors in addition to taking proper steps, or to attempt—provided the entire direction is known—to save time by turning off on a shorter, but more risky path filled with experiments. The Japanese economic rise was an experiment of its kind, as was denationalization in Great Britain, real socialism, and the current coupon privatization is also an experiment of its kind—in other words, experiments with different courses and outcomes.

Nevertheless, from time to time, one cannot get by without experiments and errors.

The Czechoslovak liberalization of prices also had some experimental features based on its method. Over the course of a single year, the volume of state-controlled prices shrank from 85 to 90 percent of the gross domestic product to a mere 6 percent which is an unusual pace, even on a worldwide scale. In a number of sectors, there was relatively strict price regulation as of 1 January 1991 which was struck mercilessly and without hesitation. And with all that, the economy achieved an unusually low percentage of inflation in East Europe, which holds its own even in comparison with what is today already a historical dismantling of the planned economy in Europe in the 1940's and 1950's.

Today, approximately 95 percent of prices (measured in terms of gross domestic product) are determined directly by the marketplace, without regulatory incursions by the state administration. Price regulation continues to be asserted in the following areas:

- Solid fuels, gas, selected petroleum products.
- Electric energy.
- Heat (including hot water).
- Water.
- Postal, telecommunications, and radio communications services (also including radio and television).
- Rail transportation, highway passenger transportation.
- Rentals on dwelling and nondwelling areas.
- Health services.
- Public investments.
- Publicly beneficial services at the level of communities (municipal mass transportation, municipal services).
- Real estate.
- Metallurgy.
- Compulsory services (that is to say, services which individuals or legal entities are obligated to tolerate or demand in return for payment of a fee according to legal regulations).
- State interventional purchases involving agricultural products.

The scope and structure of regulated components are already comparable to the regulation of prices which exists in the countries of the European Community, the impact of regulation is even a little less than is the case in some economies with traditionally strong state intervention, such as Austria or Belgium.

Under Czechoslovak conditions, the character of the predominant portion of the above-identified components with regulated prices reflects that which economic science tends to call publicly available private services or public assets. These are sectors which operate independently with the goal of achieving gain, but, at the same time, serve the public on the basis of a generally recognized uniform principle and that is why they are, to a

certain extent, regulated by the state or by the community. During the era of the planned economy, it was possible to bring virtually everything together under this category.

The principal problem of the current status of individual sectors of public assets lies in the fact that, being predominantly administered by the state, their components meld into a currently accepted universal concept of a conglomerate from the legislative, capital, technical, organizational, as well as interest standpoint. The typical characteristic of a conglomerate is its opacity. The regulation of prices here then looks like a set of frequently extensive and already often historical maximum prices lists, deformed by a plethora of direct and crisscrossing subsidies (redistribution in prices). Direct state or community subsidies are, for the most part, freely released into a sector without major control regarding the effectiveness of their utilization, which is reflected also in poorly organized accounting practices. Redistribution in prices most frequently looks like different levels of regulated prices for the household and for other consumers (natural gas and illuminating gas, electric energy, water) or has the appearance of advantaging certain groups of the population (student and worker commuter tickets, cheaper transportation fees for retirees).

If we perceive price regulation as a certain special type of incursion by the state into the economy which requires specific rules, then it makes sense to look for common characteristics among the regulated sectors. By taking a closer look, we find several such characteristics. Moreover, a generalized look at the common characteristics of public assets with regulated prices is not self-serving. On the one hand, we find repeated sector demands to mitigate or relax the regulation of prices, demands in which artificial emphasis is placed on the uniqueness and indispensability of the regulated sector and the urgency of claims for assistance by the state, and, on the other hand, there are efforts by the authorities to compensate for essential restructuralization by strengthening price regulation. In this sense, the question whether price deregulation should continue to proceed on a "case-by-case basis," or whether it will be capable of functioning as a system, is important. In other words, whether it is possible to make the general conditions for relaxing prices in the individual sectors of public assets more transparent.

Everything depends on decoding the relationship of price deregulation, the competitive environment, and privatization. The experiences of traditional market economies speak in clear language: The greater the extent of competition, the more effectively the sectors based on the principle of private ownership and the acquisition of profit function, the less there is the need for price regulation. This holds true also under our conditions. However, the realization of this set of events is currently being threatened by the more or less quietly forming efforts of sector interest lobbies to assert traditional types of administrative complexes or so-called

holding companies with majority or even exclusive property participation by the state for subsequent waves of privatization. If such a limited application of competitive and privatization principles were to come about, it would not be possible (with a view to protecting the interests of consumers and related sectors) to realize the necessary deregulation of prices of public assets at all. It would then be impossible to deal with the negative influences of price regulation on the efficiency of centralized sectors, nor to deal with the constantly asserted claims of these sectors to receive some kind of state "disability pension."

Despite the fact that deregulation of prices is dependent upon the creation of guarantees for related markets, the deregulation solution is, for many reasons, the best alternative. Primarily from the long-term standpoint, from the standpoint of the interconnection with the modern European system which is being prepared (which is just beginning to form), the deregulation of prices of public assets is not an illusion, but rather a necessity of life.

The privatization actions being prepared in the area of public assets should, thus, together with tenacious activity on the part of antimonopoly organs and sectoral ministries, act primarily to definitively shatter the ingrained notions that the sector of public assets cannot be demonopolized and that public asset activities cannot be subordinated to market principles. The economic findings which even motivate the progress of European communities reached the conclusion that the more economic activities are demonopolized, the less state regulation is needed generally and that, in its final consequences, the sector aimed at providing services to the public would function better as a result. This is true even with greater urgency under our domestic conditions, which are characterized by a universal technical and economic obsolescence, as well as by the actions of monopolies which are already customarily perceived here as being "natural" and "perpetual."

The assertion of that finding under Czechoslovak conditions requires, first of all, that it be liberated from industry-wide interests. It also presupposes a change of approach with respect to redistribution mechanisms—insofar as we shall permit them to exist for a short period of time, we must, at the same time, formulate programs and conditions for their elimination. It is necessary to emphasize that the target status is not the present situation in countries preparing a united market of the European Community, but that it is a status which these countries wish to achieve in a time horizon of several years. At first glance, such a goal could appear to be exorbitantly ambitious, however, our partners to the west of our borders are not standing still and are intensively preparing the future unified solution (for example, the European Energy Charter, the so-called "Green Paper" for telecommunications, etc.). In a whole series of sectors involving public assets, the final structures will finally be unequivocally supranational (suprastate) in

character (for example, coal, gas, petroleum, transportation, communications, etc.). Thus, our present-day concepts of state regulations should not be based on the examples of many an existing system of public assets which, at first glance, is more complicated and more obsolete in terms of its market consequences than that of Czechoslovakia.<sup>1</sup> Short-term positive effects of state incursions of a traditional character are usually distorted over the long run by deformations in the economic conduct of market entities and, besides, it is frequently only a very rich country that can afford to finance them. If, on the other hand, the Czechoslovak system-wide solution proves to be adequately progressive and if it comports with European trends, there is no reason to hesitate with respect to a rapid and complete deregulation of prices.

The next time, we shall say more about the fundamental common characteristics of sectors of public assets and discuss the influence of these characteristics on the progress of restructuralization in these sectors and on the regulation of prices.

#### Footnote

1. One such example is the system of state regulation for rail transportation in the Federal Republic of Germany which was, over many years, criticized for a disproportionate increase in transportation prices, costs, and state subsidies. A state tariff commission for freight transportation sets tariffs both for state rail transportation and also for private shippers (other than rail transport shippers) with the state enterprise having the possibility of being subsidized, whereas this is not the case for private shippers. The extensive state intervention to restrict competition is characteristic. For example, bus lines operated by private entrepreneurs which would run parallel with the routes of the federal railroads are not customarily permitted. In the event of a breakdown on the federal railroad, the railroads have priority in serving the appropriate sector of line with their own buses, etc.

#### Celebration of Slovak State Anniversary Noted

92CH0408B Paris LE MONDE in French 17 Mar 92  
p 3

[Report by Catherine Monroy: "Bratislava Extremists Slowing Down"—first paragraph is LE MONDE introduction]

[Text] Only a few thousand people demonstrated in Bratislava on Saturday, 14 March, to celebrate the 53d anniversary of the independent fascist Slovak State. The main parties refused to have anything to do with the demonstration.

The creation—real or imagined—of a Slovak liberation army was announced with great fanfare last February. A so-called "Movement to Free Slovakia" instigated the burning of the Czechoslovak flag in [Bratislava's] public square. And a bomb was defused, at the very last minute, on the eve of the Saturday, 14 March demonstration. All

these events seemed to presage the worst, and Bratislava city police were on the alert.

Slovakia celebrated the only period of independence in its recent history last Saturday, two and a half months before its next legislative elections in June. Following the Munich accords and the annexation of Czech Sudeten territory, the blatantly pro-Nazi head of the Slovak Populist Party, Mgr. Tiso, secured Slovakia's autonomy in October 1938. Removed from office by Prague, he placed himself under Hitler's protection and declared Slovakia independent on 14 March 1939. Despite a significant resistance movement, President Tiso's regime participated shamelessly in the deportation of the Jews and communists.

A cross section of the Slovak diaspora came to [Bratislava] to glorify that sad page in history. "I remember when the Slovak crown was worth as much as an American dollar," bellows Vanek, from Australia. The New York League of Slovaks made statements just as extreme: "We are living in the century of peoples' liberation. Only the Czechs and Serbians refuse to recognize the right of peoples to self-determination." Mr. Stanislav Panis, a deputy in the Federal Assembly and

the leader of Slovak National Unity (SNZS), organized the demonstration. He added the final note when he said, "We thank the German people for their assistance to the Slovak people."

But the demonstration's tiny audience was made up exclusively of elderly people, fringe groups, and a few curiosity seekers. The fact is, the Slovak population seems much more preoccupied with the present than with the past. The unemployment rate of 12 percent (compared to 6 percent in the Czech Republic) and a future which looks bleak are on everyone's mind.

Those, moreover, are the issues on which the most popular parties, all of whom refused to take part in the dubious commemoration, are basing their campaigns. Vladimir Meciar's opposition Movement for an Independent Slovakia (HZDS) attributes the severity of Slovakia's economic slump to the ultraliberal economic policy conducted by the Federal Government in Prague. In his view, the shock treatment to jolt the country from a planned to a market economy does not take into account the Slovaks' special circumstances, which call for an autonomous economic policy.



### New Journalist Federation Demands 'Decent' Press

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in Hungarian 16 Mar 92 pp 1, 6

[Unattributed article: "New Hungarian Journalist Community Formed; The Pen Is Our Ancient Sword; Csaba Kosa Is the President, Istvan Stefka Is the Managing Secretary"]

[Excerpts] We are not condemning our colleagues at the National Association of Hungarian Journalists [MUOSZ]; our newly established community is not against them; we have no problems with the members of MUOSZ; we do not want to take away the property of Hungarian journalists and we do not want to fragment the service network MUOSZ has built in the course of many years. These common values represent our common past: They do not belong to MUOSZ, but to Hungarian journalists, Istvan Stefka, the chairman of the general meeting's organizing committee said in his opening statement. His opening remarks, presented below in more detail, also express the *ars poetica* [poetic art] of the Hungarian Journalists' Community [MUK] established last Saturday. At the founding conference lasting until the early afternoon hours, the founders and members of the Freedom of the Press Club unanimously adopted the provisional bylaws of MUK and elected a 15-member board with Csaba Kosa as its chairman. The organization also appointed Istvan Stefka to serve as managing secretary. At the same time, the general meeting directed its elected board to convene a general meeting no later than late 1992 to permit members to offer amendments to the bylaws.

Professor Istvan Benedek, honorary chairman of the general meeting, was the first to welcome the participants at the conference. From his speech—subsequently reflected upon and referred to by many—we point out the following passages.

"I have been invited here, and one cannot fail to respond to that invitation.... There is no other way today than to go to the place where the country calls us.... I must say that right here and now we are not dealing with a students' self-educational meeting....! At issue is that our homeland is in danger! At issue is that we are facing another Mohacs [key battle Hungarians lost to the Turks in 1526], and we must prevent another peril of Mohacs!" The honorary chairman's words were interrupted by applause; for this reason Istvan Benedek continued his statement as follows: "I do not expect you to applaud, I want to see deeds! We gathered here because we know that external and internal enemies have surrounded us. This is no game! At issue is that we are being attacked from one or another direction every moment, sometimes from the outside, at other times from the inside, sometimes simultaneously from both the outside and the inside, and sometimes from the outside in a way that the

attack is being directed from the inside, and sometimes from the inside, with the attack being directed from the outside....

"At issue is that we do not want freedom of the press, because freedom of the press has turned into freedom of mudslinging to a degree that has become intolerable. We do not want free speech, because free speech is turning into spitefulness. We want decency in the press, we want decency in speech....!

"At issue is that we do not want anyone to be able to vocally accuse the government and the prime minister of telling lies, we do not want to permit people to do all this with impunity, to spread hate around, frothing at the mouth, about all the developments that are taking place. Because there is, there indeed has been development, we have freed ourselves from the Russian army....! There is economic development! It is not true that the country has become impoverished, it is not true that the country is sliding downward. All this is being claimed, spread and suggested by the internal enemy, and if you, gentlemen, establish a new covenant [play on word "association"], we may be able to force the old covenant to eat its own words....

"We must get up on our feet on our own, we must pull out our ancient sword and brandish that sword. The pen is our ancient sword. The pen and the word, with these two weapons we must achieve that Hungary once again becomes Hungarian!"

Architect Imre Makovecz took the floor after Benedek's speech, which was frequently interrupted by applause. Makovecz stressed that he pinned great hopes to the evolving new journalists' association and expressed his expectation that the association "would change the situation, which has become intolerable to him as a reader."

[passage omitted]

Istvan Stefka spoke next. He mainly emphasized that it was the fundamental task of the evolving new association to eliminate the lurking fear that has prevented some journalists from openly professing the ideals proclaimed by the Freedom of the Press Club. After Stefka's statement the chairman of the general meeting read the Club's professed principles. These principles, too, conveyed the sense that some of the Hungarian journalists began to think independently and were excluded precisely because of MUOSZ's attitudes, and not because of their own desires. "An odd situation has evolved, in which the persons attacked were made to appear as the aggressors, and were blamed for the increasing fighting in the trenches."

"We need a new, independent organization of journalists to make clear that we are not a small minority, and to show that significant forces support the positive program which serves the country's real interests.... In an era of a free press we are willing to recognize only one censor: our conscience and our sense of responsibility," Istvan Stefka said.

In his further remarks Stefka said that in as much as MUOSZ did not see fit to defend the interests of journalists who had been forced to leave MUOSZ, there evolved a need for the establishment of a new interest group. Colleagues excluded from MUOSZ repeatedly complained to the MUOSZ leadership; all they got for mentioning their concerns were sarcastic remarks.

Stefka raised this rhetorical question: Who are invited to join this new community? "Those journalists to whom the love of the Hungarian people is a natural, self-evident requirement, just as being Central European and having a way of thinking and an outlook free of bias and hatred represent fundamental criteria. Those who are free of any prejudice and hatred.... Those capable of being objective, those who are brave and dare to state their opinion.... Those who subscribe to positive endeavors.... Those who tell the truth in an authentic way, those who inform and do not disinform, those who place professionalism above passions...."

#### **Rival Journalists' Associations Vie for Property**

92CH0445C Budapest HETI VILAGGAZDASAG  
in Hungarian 21 Mar 92 p 17

[Unattributed article: "MUK-MUOSZ Negotiations"]

[Text] Last weekend the 203-member Freedom of the Press Club reorganized itself into the Community of Hungarian Journalists [MUK]. Even though Istvan Benedek, the honorary chairman of the general meeting, felt that there was a need for the "New Testament" to muzzle the "Old Testament," demanding that "decency by the press" replace "mudslinging by the press," MUK and MUOSZ [National Association of Hungarian Journalists] participants at Monday's meeting regarded the tone of last Monday's negotiations as "peaceful and chivalrous." Neither party revealed the exact demands made by MUK because they did not want to poison the relationship, they claimed. "If an intellectually significant part of MUOSZ leaves that organization, morality—and let us not mention legality—demands that we be allowed to use the headquarters building and our recreational facilities jointly," Csaba Kosa said after the meeting, signifying that they did not have in mind a division proportionate to the number of members in the two organizations. MUOSZ's real property consists of five pieces of real estate in Budapest and six in the countryside, some of which are owned, and others are managed, by the organization, and all of which except two have been acquired by the organization as a result of an exchange or purchase, or in the form of gifts. MUOSZ's previous state budget support amounting to between 80 million and 100 million forints was fully discontinued as of last year, and these funds have been replaced in part by increased membership dues and in part by leasing certain buildings. Unless we are able to reach a "chivalrous" agreement with MUOSZ, MUK will ask the Press Council to distribute the property, Csaba Kosa said in response to a HETI VILAGGAZDASAG [HVG] question. At present, MUOSZ, the

Association of Newspaper Publishers, and the Press Trade Union that is part of MSZOSZ [National Association of Hungarian Trade Unions] are represented in the Press Council. The executive secretary of the Press Trade Union said at the meeting that a government representative should be included as part of the Press Council. This organization would also be well-suited to operate the common property of the journalists' community, according to MUK plans described by Csaba Kosa.

#### **MSZMP Paper on Csurka's 'Socialist' Past**

92CH0456A Budapest SZABADSAG in Hungarian  
6, 13 Mar 92

[Article in two installments by Frigyes Hajnal: "Who Are You, Istvan Csurka?"]

[6 Mar p 4]

[Text]

#### **I.**

Even a good 10 years ago, his name was mainly connected with Thalia's Church. He was generally known as a writer, mostly as a playwright whose plays, when produced, almost guaranteed success at theater box offices. In those times, what the average reader of newspapers probably knew about him was that he had been a recipient of the Attila Jozsef Prize, and thus, was probably a good writer if the cultural power establishment of the Hungarian People's Republic thought him worthy of that distinction. In the 1980's, people also knew that he was a member of the Writers Association presidium.

As the media did not deal with it, far fewer people knew that whenever representatives of the intelligentsia expressed contrary opinions by collecting signatures for petitions in connection with concrete events (e.g., the 1968 events in Czechoslovakia or the subsequent events in Poland), Istvan Csurka's name was always among the signatories. However, no one deemed this significant.

Istvan Csurka, the person, was always appraised through his plays and films which no doubt contain serious social criticism and which manifest the writer's above-average talent.

Who would have suspected at that time that this same man would engage in a quite different literary activity either in a magazine he would edit himself or on the air on Sunday mornings?

But then, Istvan Csurka's name, as we have become aware, has not been connected with Thalia's Church for a long time now. What was the origin of this change—if one can speak of change at all? It is rather difficult to answer this question on the basis of the available sources. Nevertheless, I will try, and will start by saying that no review of any book, play or film should be



expected; let professional critics do that. We will attempt to discover the precedents leading to Csurka's present political outlook.

Istvan Csurka was born in 1934. His father, Peter Csurka, was also a writer and journalist, taking most of the themes of his writings from peasant life, since his father—Istvan Csurka's grandfather—was a small-holder.

We remind our younger readers that, before 1956, an applicant's social origin played a key role both in being admitted to a university or college, or even high school, and in being offered a job. Those whose fathers were industrial or agricultural workers, or poor peasants (owning not more than five acres of land), enjoyed preferential treatment over the children of wealthier peasants, the intelligentsia, and white-collar workers to begin with. Well, Istvan Csurka, the son of a writer and journalist, would have been considered as having an intelligentsia origin. But when in 1952 he came from Bekes County to Budapest to take the entrance examination at the College of Theater (since he had already chosen writing as a career and felt that earning a degree in dramaturgy would be necessary), he professed to be of poor-peasant origin, and there was nothing conspicuous about this, for he was very familiar with peasant life through his grandfather and through his father's writings, and his idiomatic peasant dialect also suggested a poor-peasant origin. The fact is that this made it easier for him to gain admittance to the college and to earn a degree, majoring in dramaturgy.

He began publishing his writings during his college years, the first of which appeared in 1954. I cannot but list his major works (without striving for completeness): *Fire Jumping*, *False Witness*, *Moor and Paal*, *The Horse Is Also a Human Being* (his love of horses and horse racing is well-known), *Nuptials and a Slap in the Face*, *Who Will Be the Dance Mother*, *Seven Tons of Dollars*, *The Psyche of a Better*, *Dirge for a Janitor*, *May Festival*, and the two versions of *Dead Mines*.

He was awarded the Attila Jozsef Prize twice for his work as novelist and playwright: first in 1969, and the second time in 1980, both times in connection with the 4 April celebrations [Hungary's "liberation" by the Soviets in 1945].

There is not enough space here for a detailed analysis of his work as a writer. But even a superficial familiarity with his dramas reveal his critical tone, i.e., the fact that he disliked many of the social realities. However, they also reveal occasionally that Csurka still believed in the socialist ideals. Let it suffice for me to quote from two reviews.

One of these is Pal Pandi's review of Csurka's play, "Moor and Paal," which appeared in the NEPSZABAD-SAG's 14 August 1965 issue and in which Pandi does not confine himself to this play but makes general statements regarding Csurka's literary career up to that point in time:

"Istvan Csurka has been carrying in himself, almost from the beginning of his literary career, the burdens of skepticism that may have originated from the distortions of socialism. It would be better for him to rid himself of these burdens...."

I will not describe here what became of this skepticism. What I would like to stress here is that, according to Pandi, this skepticism was probably caused by the actual distortions of socialism.

The other review of the premiere of his "May Festival," by Erzsebet Berkes, appeared in the 29 March 1980 issue of the MAGYAR NEMZET, a few days before the award of the second Attila Jozsef Prize. Let us quote from this one, too, for it is not confined to the premiered play either:

"The conflicts are created by a characteristic kind of illusion in all of Istvan Csurka's dramas. The preliminary concepts, plans, and ambitions of socialism meet everyday practice head on." Erzsebet Berkes' interpretation of Csurka's message here is that, according to the writer, the concepts of socialism are not false ideals, fantasies, or illusions. They only seem that way when the ideal is only referred to, while in reality other interests are served.

Thus, before 1980, Istvan Csurka was far from viewing socialism as a fantasy, fallacy, or illusion. But is it possible that Erzsebet Berkes had a false interpretation of Csurka? Is it possible that he disliked socialism already then?

Let us hear Istvan Csurka himself instead of his critics. For this, however, we must return to 1952 when he applied to the College of Theater. I mentioned that he came from Bekes [County] to Budapest, after familiarizing himself with the peasant life of his home region. He was aware of the post-1949 rather destitute situation in the country (the crop collection system, the confiscation of everything in the attics, the kulak lists, the forcible organization of cooperative farms), of which, in describing his career in the UJ IRAS' [New Writing] new serial, he wrote in the August 1975 issue of the magazine what follows:

"After 1949, no reasonable, intelligent, and normal person could rest for a moment in the belief that what was happening was good." After this sentence, the reader would expect the writer to openly, or somewhat covertly, voice his final disillusionment, with the conclusion that socialism cannot be implemented, especially in the country. Instead, Csurka continues as follows:

"And I believed in the ideal, the pure ideal nonetheless.... I would have had to hang myself if I did not believe in the sanctity and truth of this single ideal of world order. Despite the fact that every cell of my body wished that this punishing scourge of my people would come to an end, I considered myself neither a class enemy nor a reactionary.... I took an oath to serve

socialism and the working people.... Even today, I would not break an oath, I am not made of such a mold."

Let us remember: Istvan Csurka stated in 1975 that he took an oath to serve socialism and the working people! And that he does not break an oath!

Although in his books and plays he criticized many things, I have not found anything—at least not on first reading—that I could consider a contradiction to his 1975 self-confessions. After all, Csurka was not the only one at that time who voiced his justified criticism of the past decades' realities.

In the decade of the 1980's, Csurka sensed the changes that were in the air. First he glorified 1956. True, his speeches and writings on such topics were still published only in New York at that time—in 1986, at the 30th anniversary of the 1956 events. This probably was the reason, or perhaps it was something else, that he was penalized in the same year by a year of silence. Subsequently, the first time he was allowed publicity was in December 1987 in one of the programs of the [Hungarian] Radio's "Sunday News," even then edited by Bela Gyori. And, after the MDF's program announcement at Lakitelek, Csurka thought that he had finally found his place on the Hungarian political palette.

[13 Mar p 4]

[Text]

## II.

Since the change of regime, Csurka has not been a writer anymore, at least not a literary writer. The man, who earlier chose writing as a career and for that purpose earned a degree in dramaturgy at the College of Theater, decided in 1989 to change careers and became a professional politician. And what kind of politician is he? He has no doubt forgotten not only his earlier oath "to serve socialism and the working people," but also that he "did not consider himself one to break an oath."

Every decent person was shocked in hearing his first speeches or reading his first writings, which would no doubt have been quite suitable even for the pre-1945 radio programs or for the columns of the most right-wing papers. And there is still no end to his innumerable inciting and defamatory speeches, articles, and radio tirades. Why, the adjective "bolshevist" (which, in itself, reminds one of the German Nazi times or of the Horthy times) is one of his more benign expressions. And one should not think that these inciting adjectives are directed only against communists. No, in using them, he is probably thinking not so much of the members of the MSZMP [Hungarian Socialist Workers Party] (even Gyula Thurmer earned from him only the description of "self-appointed grain dealer"), but rather of members of the "old cadre" who are still around and still occupy high positions and "are getting ready to seize power." And where are these "communists" and "reform communists"—with whom it would be high time to get even—

hiding? Well, in the successor parties, including (!) the SZDSZ [Alliance of Free Democrats] and the FIDESZ [Federation of Young Democrats] (both of which totally undermine "Hungarian traditions"), in the [Hungarian] Radio and Television, i.e., wherever the "populist-nationalist backbone" is lacking (this nonsense found its place even in the 1944 Hungarist terminology!) and wherever the rule by the "bolshevist and cosmopolitan quagmire" or the "tiny minority" is threatening.

I want to highlight only two of his "Gospels" aired on the Vasarnapi Ujsag.

In one of them, which was aired on 5 August 1990, Csurka gave his whole-hearted support to general Kalman Kery, saying that the latter had the right to express his opinion on the Hungarian army's fighting during World War II, and how dare the "liberal comrades" question this right? There will be no democracy, said Csurka, as long as the "operators of the liberal Stalin organ" [Hungarian nickname for the World War II Soviet rocket launcher "katyushka"] want also Kalman Kery to speak only the way they want him to speak.

In other words, there will only be democracy when representatives of the extreme right wing can also make speeches, can also write articles, and can popularize their soul-poisoning views as they please, without hindrance by any old "liberal comrade" (meaning a representative of the MSZP [Hungarian Socialist Party], the SZDSZ, the FIDESZ, and who knows what other party).

What did parliamentary representative Gyorgy Gado say in connection with the HUNNIA magazine? "A magazine that publishes fascist articles stands not too far from the idea of fascism." I think the same is true of a politician who defends the speech of an old general who makes fascistoid [as published] statements reminiscent of the Horthy regime.

The other one is the way in which Istvan Csurka treated Attila Jozsef, first on 18 February 1990 and then again on the program aired on 16 February 1992. He called the claim that Attila Jozsef was a markedly proletarian poet a communist fiction, trying to make this giant of the Hungarian workers a "populist-nationalist" poet.

On the other hand, Csurka repeatedly quoted in these incriminated radio programs two following lines from Attila Jozsef's poem "Enlighten Him": "Perhaps you should mumble a new story./ That of fascist communism." Is it possible today that Istvan Csurka did not know the real meaning of these two lines? I suspect that he knows it only too well, but they serve as convenient proof of what the combined chorus of today's bourgeois parties incessantly echo both at home and abroad, namely, that "communism and fascism originate from the same root...."

But picking on Csurka's present "pearls" does not lead anywhere. I am afraid that we will read and hear quite a few more such statements of his....

What remains to be examined are the roots of Istvan Csurka's such steep fall, i.e., the reason why this writer, who was renowned in the theater and film world and was universally accepted in the previous regime, has sunken to become a populist party politician, slandering that same regime and leading the government party's extreme right wing.

It is difficult to find an answer to this question. I am neither a theater critic, nor a psychologist. Nonetheless, I will risk at least three speculations.

The starting point of my first speculation is Csurka's "narodnyik-ness." I must mention here that, in his 1975 self-confession from which I have already quoted, in addition to emphasizing his oath to "serve socialism and the working people," he also described himself as a "narodnyik," i.e., a "populist." One must know regarding "populists" that, in semifeudal Hungary, they wanted to implement social changes, which also they deemed necessary, based not on the working class but on the peasantry, i.e., the village communities, striving to achieve some kind of "peasant socialism" through a characteristic peasant romanticism. Their ideology was characterized by a mixture of ultra-left-wing and right-wing (nationalist, anticommunist, occasionally racist, anti-Semite) elements. Some representatives of their movement's right wing (writers and other intellectuals) kept shifting toward the right wing until some of them (e.g., Jozsef Erdelyi or Marton Kerecsendi Kiss) found themselves at the extreme right wing.

Well, it can be assumed that when Istvan Csurka, professing to be a "narodnyik," "took an oath to serve socialism," it was not the Marxist socialism he was thinking of but rather that particular "peasant socialism," and that he understood working people to mean the masses of peasants. This speculation makes it easier to deduce his present thinking and attitude, because, in this case, he is following the path of the earlier right-wing "folk" writers and the populists' extreme nationalist representatives.

My second speculation is that Istvan Csurka, who was, at least, still loyal to our regime in the 1970's, began following the "road to Damascus" and, who knows by what influence, suddenly became our sworn enemy. Possibly, he was influenced in America, or perhaps at Lakitelek, but the possibility that the cause of this explosive change was the vexations that befell him in his own country (he was silenced for a year and a half, and his plays were taken off the stage), is not to be excluded either.

My third speculation is even simpler than this: Istvan Csurka has always been a shrewd careerist, who—in order to aid his career and increase his distinction as a writer—pretended to be loyal in the 1960's and 1970's, who uttered only words of deception, who deceitfully shook hands with the highest-ranking officials of the party and the cultural power establishment (including those whom he would now like to drag to court) at the

acceptance of his awards and at other occasions, and who felt an urgent need at the change of regime to top his promising career as a writer with a political career of much more questionable value. If we accept this speculation, then we must agree with Istvan Eorsi who said that it would have been much more honest for Csurka to leave the country and proclaim his antagonism toward the socialist regime from abroad—like Sandor Marai did—and not return until the change of regime.

So, who are you, Istvan Csurka? A "folk writer" turned extreme right-wing populist? Saulus turned Paulus? Or just an unscrupulous gambler?

**Zetenyi Law: Reactions to Court Action Discussed**  
*92CH0470B Budapest HETI VILAGGAZDASAG*  
*in Hungarian 21 Mar 92 pp 74-76*

[Article by Gabor Juhasz: "Zetenyi Law: A Second Round? Guiding People's Memories"]

[Text] The government agreed last week to submit a new legislative proposal for administration justice, replacing Lex Zetenyi, which failed the constitutional test. Little detailed information has been leaked about proposal, but there is more talk in ruling party circles claiming that the time has come to rein-in the Constitutional Court.

On 4 March, the day after the Constitutional Court delivered its opinion concerning the Zetenyi law, Salgotarjan citizen Andor Jecsmenik picked up an iron pole, climbed the memorial on the public square, and crushed the red stars made of glass on the monument. Because the damage caused amounted to about a quarter of a million forints, one could assume that he ended up in the police detention cell. Accordingly, all signs indicate that the 1956 deputy chairman of the Nograd County Workers Council became the first person to end up in a cell as a result of the Zetenyi-Takacs law (or better said: almost-law). According to his own statement, the elderly man used this action to express dissatisfaction with the Constitutional Court decision that struck down Lex Zetenyi as unconstitutional (HVG 7 March 1992), and to get some satisfaction for the prison sentence he had served a long time ago.

Since last weekend it has become likely that Andor Jecsmenik would not be the last in line; others might also have to respond to questions asked by the police. It should suffice to recall the manners manifested by some who took part in the 15 March demonstrations in front of the Television building. Solid foundations also appear to exist for future passions, except for the fact that according to an official announcement last weekend, Zetenyi II., a new legislative proposal concerning the administration of justice, is going to be introduced by the government, since there obviously is no chance of mending the old law so as to become constitutional. Little information has been leaked concerning the new law as of the time we went to press, but in any event, representatives of the ruling coalition were self-confident as usual in what they were doing: "One could draft a new

version within 10 minutes with the help of a criminal lawyer," according to MDF [Hungarian Democratic Forum] Representative Istvan Halasz after hearing the Constitutional Court's decision.

Secretive statements by the ruling party suggest that law suits are not going to fail to materialize, but they no longer are talking about declaring the crimes committed as part of the post-1956 reprisals as war crimes or crimes against humanity. The only one to demand such a thing was Independent Party, 1956-vintage Smallholder Tibor Hornyak, citing Imre Nagy's words, according to which "our troops are in combat," and claiming that a reclassification would be out of question "because we were unable to curse the crocodile as long as we stood in the water." In any event, this solution would also have been of a similarly questionable value as Zsolt Zetenyi's earlier legal structure—the legislation declared by the incumbent minister of justice last December to be free of concerns from the standpoint of constitutionality. Hornyak's idea would also be surrounded by a suspicion of retroactivity. Its international acceptance appeared as even more hopeless; moreover, it could not be of "equal value" to the Zetenyi proposal; based on Hornyak's arguments one could hardly present to court those who might have committed political murder in 1946 or in 1970. Accordingly, hints relating to this kind of solution and to the reassessment of war crimes by the Constitutional Court intended to discredit the Constitutional Court.

The government's new legislative proposal on the administration of justice would circumvent the proposal advanced by the president of the Republic concerning the establishment of a historical fact-finding committee, and would be based on the Constitutional Court's finding, according to which "the statute of limitations could have tolled in regard to the adjudication of the criminal acts committed between 21 December 1944 and 2 May 1992 solely on the basis of laws in force when these crimes were committed." The Constitutional Court justices went so far as to provide a tip when they wrote that legal provisions based on [communist] party resolutions existed after 21 December 1944—as for example Interior Minister's directives 008/1966 and 22/1985, as well as Supreme Prosecutor's directives 006/1955, 001/1961, 002/1966, and 001/1985—which, in essence, immunized certain "privileged persons" (HVG 5 and 19 May 1990). This solution somewhat resembled the immunity enjoyed by National Assembly representatives, and applied not only to politicians but, for example, to leaders of the economy, in which cases the directives conditioned the initiation of criminal proceedings to the concurrence of the "party organ having jurisdiction." Referring to these directives, the Constitutional Court held that "it is the function of the executive branch to determine in regard to each individual proceeding the effect of decisions that were made on the basis of such directives and to find out whether these cases have lapsed."

Incidentally, immediately after the Constitutional Court delivered its opinion, Zsolt Zetenyi seized the opportunity that flowed from this finding and declared: "We must seek indictments." This statement could not really be regarded as threatening as long as prosecutors who could be regarded as independent, and who could not be pulled by strings like marionettes, do not make decisions about indictments instead of the in-house jurists of the ruling coalition, although even in this context one undoubtedly could ponder legal debates concerning the justice minister's appointment of heads of courts (HVG 14 March) and the idea of placing prosecutors' offices under governmental supervision. If such cases reached the point where substantive hearings could be held—because everyone, including the proceeding court, found that the statute of limitations on a given criminal act did not expire—doubt would still prevail as to whether the case could be "successfully" proven after 10 or 20 years. To use Constitutional Court Chief Justice Laszlo Solyom's words: Doubtless, the protection of innocence applies to everyone, irrespective of how big a crook one might be, i.e., that a defendant must not be regarded guilty until pronounced guilty based on the final judgment of a court. Quite obviously, it is not the intent of the ruling coalition to catalyze a mass of criminal proceedings and indictments against some, while in the end of the process there may be more dismissed charges than guilty verdicts due to the lack of a crime or lack of proof.

The most curious aspect of this entire matter is that no legal barriers stand in the path of proceedings like this today. It has been known that a few reports and charges have already been received by the authorities involving criminal cases also covered by the Zetenyi proposal. In such cases investigations must be conducted even in the absence of a separate law, and such investigations must cover the issue of whether the statute of limitations has expired on the given criminal act.

The coalition, on the other hand, clearly intends to deliver on its promise regarding the administration of justice, and to demonstrate—not just as an aside—that the ruling majority has the say in legislation. Quite obviously, the coalition is going to try to enforce this principle also in regard to the Constitutional Court, because sooner or later parliament is also going to begin debating legislative proposals concerning the Constitutional Court (HVG 15 February 1992).

This intent is suggested by the fact that signs of confusion begin to show in some persons' memories. After the Court delivered the Zetenyi opinion, MDF Vice Chairman Istvan Csurka, for example, announced relative to the Constitutional Court that "in 1989 the MSZMP [Hungarian Socialist Workers Party] insisted on appointing the five justices, and later, a freely elected National Assembly only confirmed these justices as well as those chosen by the National Assembly." It is well-known that of the five justices the MSZMP nominated only two: Geza Kilenyi and Antal Adam (HVG 25 November 1989), while the names of Laszlo Solyom and



Janos Zlinszky were proposed by the Opposition Roundtable. (The fifth justice, Pal Solt, who has since become the president of the Supreme Court, became a justice of the Constitutional Court as an "independent," virtually as a "joint" nominee.) At this point the only question is whether this statement has been part of the MDF vice chairman's literary work, or—and that would be worse—whether we now learned that in reality, in those days the MSZMP designated the nominees of the opposition.

Since the former possibility is the more likely choice, Csurka's entire thought process concerning the Constitutional Court appears to be a preparatory maneuver to limit the rather broad authority of the Constitutional Court. Some ruling party attacks—whose "perpetrators" have obviously not seen a code of laws thus far—which try to explain how to interpret the Constitutional Court decision and how describe its consequences also support suggestions of an intent to manipulate public opinion.

One suggestion advanced by these people should nevertheless be heeded: "the time has come to publicize the detailed curriculum vitae of members of the Constitutional Court." These resumes were not kept secret thus far, moreover, at hearings before parliamentary committees it was (could have been) possible to ask some touchy questions. Nevertheless, publicizing these resumes would not be a useless endeavor. One would recall, for example, that Laszlo Solyom served as a member of the MDF board before becoming a Constitutional Court justice, and later, the president of the Constitutional Court, and one could ponder what kind of attacks this body in robes would be subject to if Geza Kilenyi had been elected president of the Court, and if he had read the decision that rejected Lex Zetenyi. Perhaps the lead experts of the MDF would also ponder why ten jurists, whose careers are so different, rendered a unanimous decision, without a dissent. Perhaps it would be realized that although Istvan Csurka is correct in saying that the Constitutional Court can be "found on the map of the past system," its birth certificate has also been signed by representatives of those in power today.

#### **Commentary on Turncoat Communists in Public Life**

92CH0461A Budapest HETI KIS UJSAG in Hungarian  
6 Mar 92 p 1

[Commentary by Tivadar Partay, editor in chief of HETI KIS UJSAG: "Tumbleweed"]

[Excerpts] Tumbleweed is a typical plant of the prairie: It is a large, thorny shag that is chased by the storm back and forth on the endless plain, and, if people or animals become entangled in it, it is difficult to get free of it. Well, it seems that the prairie is not the tumbleweed's only home: It also appears periodically in the fields of politics and public life, and it is extremely hard to find out what is inside the shag and what tangles created it. Let us look, then, at a few of this tangle's twigs and branches.

New faces, which disappeared and withdrew a long time ago, have been reappearing lately on the TV screen. These are faces that appear again, but not just anywhere or in any program. Mr. Ervin Gy., the onetime AVH [State Security] potentate and author of a post-1956 "bestseller" in which he presents the counterrevolutionaries as murderers, robbers, and imperialist agents by name, appeared on the screen for the second time as an art expert. The second time he smiled at us as the Hungarian representative of the society that awarded the film prizes. He is the one who determines the artistic merits of each film. Previously, the only thing he was allowed to determine was which thug was able to beat people most efficiently at 60 Andrássy Avenue [the AVH's headquarters]. And people, the wretched people [a famous line by Petofi], simply acknowledge this change of roles. He may now write books again, he may perhaps even determine who should be fired, and then he might again pick up his pen to write down who should be beaten or even liquidated. And then, there is that charming lady, the radio announcer with the sing-song voice, who was also frequently seen on the screen as the chief bolshevik expert on the quiz show entitled "Who Knows The Most About the Soviet Union," and who explained in connection with hijacking an airplane that one must differentiate between terrorist and terrorist, for one murders innocent people out of patriotism while the other murders for money. According to her, one should not condemn the former. Well, perhaps she, too, will return to television.

And then, of course, there is the good commie and the bad commie. Qualified persons determine which one is which. There is nothing new in this; when Goring was criticized that the best pilot in one of his air wings had some Jewish blood, he replied, "I am the one who determines who is a Jew and who is not!" Because, for instance, Miklos Nemeth is a good communist, although he was the one to order Mr. Demjan to pay 110 million dollars to comrade Gero, a kidnapper turned Interag's CEO who is now enjoying the stolen money in Israel, but this does not matter, he is still a good man. To some people, at least. On the other hand, the hapless Gyula Kallai, who has been a pawn all his life, whose father and mother were beaten to death by AVH men but he still went back to work in his ministry, is a bad man. But not really. He, too, is only a sparrow, like Czinege, who was kicked out of his palace, only to quiet down the malcontents. Now, just for the sake of appearances, they will throw another quarry to the public, a few crypto-fugitives, and there will be peace and quiet again for a while. And the real murderers, the likes of Gabor Peter, Dr. Istvan Timar, and so forth, will get off with impunity.

There is a list in front of me with several dozen names, belonging to people who were overzealous party members before the change and who still occupy leading positions. This tumbleweed includes an actor who, as a KISZ [Communist Youth League] secretary, was loudest in singing the bolshevik tune; a journalist who demanded

rolling heads with his pen dipped in blood; a politician who worked zealously in the III/III [a department of AVH]; a CEO who "salvaged" a state factory by transforming it into a limited company; a trade union big-shot whose boss appeared recently on the TV program "The Happiest Barracks" and who, after having withdrawn himself for a short period, thought at the time of the cab driver blockade that the time had come for him to go public again; he had been to Moscow, he from time to time organizes a strike, and parleys with the MSZP [Hungarian Socialist Party]. True, the MSZP denies these talks, but "where there is smoke, there is fire" and, besides, who would believe the good communist comrade Gy.H. and his associates? Perhaps only those who have not learned during 40 years what they themselves have professed, namely, that "We lied during the day and we lied during the night." Why should anyone think that those who were raised in this spirit, those who put on a *pufajka* [quilted Soviet army jacket] at the first breeze, would ever change? At that time they only defended the workers' power? And today they want to regain the workers' trust in order to have an army for their next offensive. Perhaps they think that this nation not only forgave them but also forgot everything: The huge amount of blood that was spilled during 1956 and afterwards, the hangings, the prisons, the atrocities that began in 1946 and cost the lives of tens of thousands of people—in which many of them took part, either at a younger or older age.

And yet, after all this, there are those demanding retribution for me, wanting retaliation for my sufferings, who were silent for 40 years, sitting in their cozy rooms while thousands were working as prisoners in quarries in freezing weather. But who asked them to do this? Certainly not those who suffered!

I understand when someone who suffered through the prisons and demands retribution stands up in the Honorable House, but on what on grounds can someone, who himself may have been a prison guard, do this?

Well, if one tries to take this thorny shag apart, one discovers more and more things that are difficult to understand. The educator turned politician who, in her leading position, urged her female colleagues just a few months ago to work as cleaning women if they were dissatisfied with their salaries, now has resigned from her post but, instead of working as a cleaning woman herself, she now urges resistance to those she advised to work as cleaning women.

In our country, it is not the winds that change but the chairs, and opinions change depending on who sits in what chair.

Another outstanding lady educator keeps educating the members of parliament just as she used to educate her youngsters not so long ago, with absolutely no trace of modesty. But what is the purpose of this? It must be to show the TV audience how virtuously outspoken their patroness is. It does not matter that she frequently bangs

on open doors and that her outspokenness does not lead anywhere. No one in these frenetic times pays attention to that.

I could also tell about this shag including a high-ranking soldier whose thick dossier was forwarded to the Honorable House's Immunity Committee which, however, did not deal with it because he is just a citizen without rank, not a representative. After all, what business is it of a so-called "average man" that the chief of staff was decorated by Hitler and Szalasi or that he was promoted from captain to general by Mihaly Farkas [onetime AVH chief] for denouncing his immediate superior and friend for allegedly corresponding with officers in exile (his superior was indeed shot in the Hadik [Military Academy]). No problem here, he did what he did, since his decoration and promotion depended on those people. Now he represents the people, and has taken two steps forward again. Only two steps, because there is no higher rank. But then, he did not get those stars for nothing this time either, he earned them: The mugwump became converted and is now on the right path.

One of our compatriots in exile angrily noted on the radio recently that no one should check up on those living abroad, for they have already been X-rayed by the FBI and the CIA. Well, well, in what way has mister general been X-rayed? He became professor in the New World, perhaps teaching his students how a courageous soldier became a pro-Nazi, an Arrow Cross man, a communist, a freedom-fighter reformer, and the ways in which one can attain military success.

Or who checked out the gentleman who also advanced to the rank of general and who used to be the political chief at the police in northern Hungary after 1945? And why did they not ask him how Emil Borbely Maczky, onetime lord lieutenant of Borsod County, perished? Who had him murdered and who was actually that former police officer by the name Orosz?

Well, we have now reached a rather thorny part: The general's associate, who was a political police officer of the same title and rank, has now quietly disappeared with his ministerial (ambassadorial) pension. On the other hand, the name of his father, a traitor of the workers, perhaps still embellishes the big city's house of culture. Why not? If in Budapest a street still bears the name of the chief traitor, who was rewarded with parliament's Presidency, then why should [the city of] Miskolc be in such a hurry?

It seems that this thorny thing cannot be untangled, and I will never finish. I was told by a delegation of the [state] Auto and Spare Parts Trading Enterprise how several billion forints were transferred to the limited company that was formed from the enterprise, and how the onetime CEO turned representative collaborated in this game.

And where did the boorishly bellowing legislator learn about good manners? Perhaps from his father, a [onetime] AVH colonel who is mentioned, not exactly with

praise, in the book entitled *The World of Prisons in Hungary*? We should perhaps also look into who the person is who used to visit the Stamp Collectors and why he stopped his visits. But who would have the time and energy to do all this? I, the blind man, certainly would not. And those who should indeed pay attention to these things seem to be even blinder than I am.

Anyone can now become a colonel, a general if he wants to. There is some justification for this, for whom did we, old bohemians, call colonel? Those whose every thousandth word was true. I will give an example. I received a book on the Recsk prisoners in which six persons talk about their recollections; one of them, a decent shoemaker, who wound up there because of some stupid affair, now reveals that he is actually a count, and that every Hungarian hero who had the same double family name was a relative of his—from the 1848 general to the Verne novel's protagonist. He himself was a lieutenant at the age of 17 after graduating from the Ludovika [Military Academy]. He had served on the battle-front throughout, but at the same time he was also a partisan under Tito, then the chief of the [Hungarian] People's Front, and an active communist till the end. And now? He is an activist of the Smallholders Party in a northern city. Incidentally, he still operates a shoe repair shop. [passage omitted]

I know, there is a price to pay in exchange for the moribund power establishment to have relinquished its position without a fight. Why, no sensible person demands the lives, or unearned bread, of the former potentates. But they do demand the gathering of the remaining tumbleweeds. And an increasing number of people are demanding and expecting it, for they feel the tumbleweeds' destroying effect. But we should be cautious, for there are those who only want to divert attention from themselves and from the tumbleweed they are attached to. And I only ask of those who do this, that in case they still have any consideration left, not to play with fire because it is a dangerous thing and one does not know which way it will turn and whom it will scorch. Let them remember yesteryears' village night-watchmen who made their rounds, armed with halberd and lantern, shouting: "Watch the fire and the water!"

#### **Radio Workers' Libel Suit Against Capital Daily**

92CH0445B Budapest MAGYAR HIRLAP  
in Hungarian 25 Mar 92 p 3

[Unattributed article: "Radio Employees Sue UJ MAGYARORSZAG"]

[Text] Eighty employees of the Hungarian Radio filed suit against the editor in chief of UJ MAGYARORSZAG, as well as against Publica Corporation and its president, publishers of UJ MAGYARORSZAG, for infringing upon their rights to a good reputation. The background of the case involves a late February letter dispatched by employees of the Radio to National Assembly representatives and the publication of the list

of signatories in MAGYAR HIRLAP. In response to that UJ MAGYARORSZAG published a writing that constitutes the basis of the suit, and which included statements as follows: "Gobbels has many good disciples in Hungary," and "Truly good disciples of the former propaganda minister reside in Hungary." The Radio employees complained that these statements referred to the 115 persons who signed the letter, and that the rest of the pejorative general statements adversely affected all of them. The affected Radio workers asked the court to order defendants to mitigate the damages, i.e., that Gabor Czako and Laszlo Fabian publish the affirmed judgment of the court in UJ MAGYARORSZAG in the same place and form as they published the writing that constituted the subject of the complaint.

#### **Budapest Military District Commander Interviewed**

92CH0437A Budapest MAGYAR HONVED  
in Hungarian 6 Mar 92 pp 4-5

[Interview with Major General Mihaly Nun, commander of the Budapest Military District, by Colonel Gyorgy Kovago at the Budapest Military District's conference; date not given: What Does Our Balance Sheet Show?—first paragraph is MAGYAR HONVED introduction]

[Text] Periodically the various levels of military leadership manage to find the time to process the previous year's experience, evaluate the performances, and set the basic requirements for the current year. After the conference of the commander of the Hungarian Armed Forces, also the Budapest Military District held its task-setting conference. Major General Mihaly Nun presented the balance for 1991 and outlined the new military organization's tasks in 1992. We interviewed the major general to find out what the balance sheet shows.

[Kovago] Sir, what has the past year wrought in the life of the command and its troops?

[Nun] The past year produced a fundamental change. After 20 years of successful operation and in agreement with the ideas of our new defensive military doctrine, we have wound up the Rear Area Defense Command (HAVP) and the Budapest Garrison Command. In their place we have established the Budapest Military District Command (BKKP). We have transferred the "M" [expansion not given] staffs of our area-defense units and POW camps to the Ground Forces Command. In addition, we have decommissioned five of our units and also a construction and engineering formation; two of our regiments have been assigned to new barracks; we have taken over two new military organizations; and have implemented the new subordination of the "M" organizations attached to the garrison's offices for the maintenance of law and order.

We have accomplished all this without a hitch or any particular problem. In the course of carrying out the organizational tasks, no service or labor dispute arose



that could have stemmed from a violation of the regulations. Yet the permanent staff of officers shrank by 35 percent; of noncommissioned officers, by 30 percent; and of civilian employees, by 15 percent. On the initiative of their superiors, 13 percent of the professional soldiers and reenlisted men left the Armed Forces; 4 percent left at their own request. At the same time, we were able to transfer to other military organizations 20 percent of our permanent strength. The number of conscripts dropped nearly 58 percent in comparison with 1990.

[Kovago] I suspect you had also other tasks besides the reorganization and the garrison's replacement.

[Nun] Of course. Over and above what I have mentioned, we maintained at the required level, and amidst complicated circumstances, our combat readiness, mobilization capacity and mobilizational readiness. We successfully planned and carried out the operational-tactical training of the commanders and staffs at our headquarters and subordinate military organizations. Our experience of training conscripts confirms that both the two x six-month and the four x three-month rotations, which have been introduced in accordance with the present length of compulsory military service and the subordination of the troops, are suitable to train conscripts. Under the two x six-month arrangement, however, the mobilizational readiness of the troops declines considerably at the time they are being relieved. With the new organization in place, the level of training can be expected to improve.

[Kovago] Due to its very nature, your predecessor the HAVP also had numerous tasks that extended to the country's entire territory. Parallel with the reorganization, have you been able to handle those tasks as well?

[Nun] I am proud to say that we have fulfilled without failure, and to our superiors' satisfaction, all our national and Armed Forces-wide special tasks.

In 1991 the command organized, for the 27th time, the fireworks on 20 August. We helped to prepare Pope John Paul II's visit; we ourselves planned, organized and controlled the military services for the events staged in Budapest, the Danube convoy, the patrolling of the river, and work by divers.

By 19 June we completed without a hitch, in accordance with the approved plans and with the participation of 26 garrisons, the military-police tasks in conjunction with the complete withdrawal of Soviet forces. Even though several questions had remained unclarified. Our chemical-defense subunits inspected 13 former Soviet sites. They checked 321 buildings and structures, and an area of 131 hectares. The hauled away about 40 metric tons of hazardous materials from the sites.

Our command directed also the checking, by demolition squads, of the sites taken over from the Soviets. This task was carried out without a single accident, according to a schedule that had been approved and then amended by

the government, in cooperation with the troops designated by the Soviet Army Command, at 113 sites of 42 garrisons. That involved checking more than 2,700 buildings and an area of 3,017 hectares. I wish to add that our demolition squads destroyed 53,647 of the explosive devices found and reported in the country. The combined total weight of the destroyed explosive devices was more than 31 metric tons. The demolition squads also cleared the country's southern border of mines.

[Kovago] How were you able to achieve such outstanding results amidst circumstances so complicated?

[Nun] Active identification with the changed place and role of the Hungarian Armed Forces, the professional soldiers' experience, the primacy of work on behalf of subordinates, conformity to the plan, efficient organization, a conscious effort to employ new and more efficient methods, and—as a result of all this—the self-sacrificing work of our entire personnel guaranteed that the set objectives were achieved and the requirements met.

[Kovago] Is the overall picture that rosy?

[Nun] No, of course not. But it is reassuring in any case. At the same time, we too had problems in 1991 with the sporadic or occasional laxity of discipline, the setting of low requirements, negligence in responding to alerts and performing guard duty, and offenses resulting from violations of the service regulations. Furthermore, there were shortcomings and abuses in some places where carelessness and materialism had gained ground. The intensifying contradiction between the ever higher requirements on the one hand, and the inadequate qualifications of some subunit commanders—especially the gaps in their knowledge of pedagogy and psychology—created difficulties.

On the whole it can be said that—in spite of the existing problems, shortcomings and mistakes—the training, solidarity, dedication and sense of duty of the personnel of the Budapest Military District Command and of the troops under it served as a reliable guarantee that the tasks planned for 1991, or assigned by superiors, would be fulfilled successfully.

The officers and commanders attending the task-setting conference were especially pleased when, in his contribution to the proceedings, Colonel General Kalman Lorincz, the commander of the Hungarian Armed Forces, emphasized that the personnel of our command had demonstrated an exemplary attitude and active approach to the successful fulfillment of last year's tasks. He thanked them for all that, but added what for us amounts to a command; namely, that he was expecting us to do the same also in 1992.

[Kovago] Sir, we have come to the new organization's tasks this year. What are you planning for this year, and what opportunities does the future offer?

[Nun] As we can read in the directive that the defense minister has issued for the Hungarian Armed Forces, in

1992—foreseeably under difficult conditions, with funding whose value will be declining in real terms, and in a political situation that probably will remain tense—we will have to ensure the mobilizational readiness, leadership and employability of the command and of our troops.

The basic mission of the Budapest Military District Command is given, and it is by no means little. Our task is the operational control of all military organizations and establishments on the capital's territory that are not under direct central control, as well as the performance of, or active participation in, various state and MHP [Hungarian Armed Forces Command]-level tasks that are governed by protocol, and also the maintenance of law and order. Furthermore, our responsibilities of decisive importance include the preparation of tasks in conjunction with the capital's defense, ensuring the safety of navigation on the river, checking for and the disarming of explosive devices, and the military policing of the Budapest garrison.

[Kovago] How are you planning to accomplish all that?

[Nun] Besides continually maintaining mobilizational readiness, we will have to improve our organizational efficiency and strengthen our discipline. Within the limits of the material and financial resources budgeted for us, we will have to provide for the daily life of the command and of our subordinates, and to ensure the conditions for the successful fulfillment of the tasks outlined above. All this in a way such that 1992 may become the year of the turnaround, of meaningful changes, also for the Budapest Military District.

I wish to take also this opportunity to thank all our servicemen and civilian employees for their loyalty, fortitude and successful work last year, and to request them to meet also this year the requirements set by their superiors.

### **Self-Privatization Performance Record Assessed**

92CH0457B Budapest FIGYELO in Hungarian  
19 Mar 92 p 7

[Article by Ervin Zsubori: "Self-Privatization: Cleared for the Next Grade"]

[Text] Simplified privatization initiated by enterprises began in September 1991 with the participation of 348 small enterprises and 84 expert consultants. The following summarizes the results of, and the experiences gained from, the program. This is a timely task, because the AVU [State Property Agency] Board of Directors decided on 11 March to continue the program.

Six months after the start of the self-privatization program it appears that the initiative has been successful, and that by all means it is worthy of implementation with respect to a larger, more significant group of enterprises. The number of enterprises involved has also increased significantly: At present 410 firms are eligible

to use the simplified method, we learned from AVU Deputy Director Janos Both. Three-fourths, or 292, of these enterprises managed to reach agreements with one or another designated expert consultant. The activities of the experts are also satisfactory; as of early March 66 of the 84 consultants have entered into agreement with at least one enterprise.

### **Five Projects Complete**

In a majority of the cases the simplified privatization process is in the preparatory stages. (We presented a detailed description of the process in the 7 and 14 November 1991 issues of FIGYELO.) Nevertheless, in 43 instances the transformation of enterprises has already taken place, and in five cases it was possible to sell the entire AVU share of the business. As we learned from authoritative personnel at AVU, almost half the number of the already transformed firms were industrial firms, and one-third of them were consumer-service-provider enterprises. There are no commercial and agricultural firms among the transformed enterprises, for the time being.

At four firms, 100 percent of the AVU share of ownership was purchased by the workers. At the Zalaegerszeg Electrical Maintenance Enterprise, the KERMIX enterprise, and at the National Market Research Institute the buy-out occurred on the basis of borrowed money, while workers purchased the Commercial and Investment Enterprise for cash. Employees at a fifth service enterprise also declared their intent to buy out the firm, but the sale has yet to be consummated. With respect to another 11 cases workers agreed to purchase part of their enterprise. A buy-out by enterprise managers only, i.e., a classic management buy-out, has not taken place thus far. In almost half the number of firms participating in the program the workers may be expected to become owners in varying degrees, according to the experts.

We inquired from VOFA, Ltd., managing director Antal Vogl about the experience gained by expert consultants. VOFA has consummated two dozen agreements thus far, and most of these involve car-repair enterprises. Thus far they managed to transform five of these firms into limited liability corporations and none of their transactions has been fully completed.

A faster pace of progress is hindered by the fact that almost all of these service-provider organizations have units subject to the provisions of the preprivatization law. These involve mostly shops, buffets, and car-wrecking companies. Insofar as these units are within the premises of an enterprise, there is a chance for selling these units together with the enterprise, while still complying with the law. This, however, requires a series of permits to be obtained in several steps, and the permit to be granted by the AVU Board of Directors is the last one to be acquired. Everyone knows that the AVU Board of Directors is rather busy these days. VOFA has six such petitions pending at AVU. This kind of inexcusable delay often creates serious financial losses to the expert

consultants because additional premiums depend on privatization at the earliest possible date. The slowness of registering firms also retards the possibility of obtaining permits.

### Lengthy Reconciliation Processes

There is no way to consummate a sales agreement and to make payment before a firm becomes a corporation. It takes a minimum of three to four months to accomplish that. In Vogl's view the situation could be improved if in each county at least one Court of Registry judge would deal only with enterprise transformations.

The job of the expert consultants is not made easier by the fact that they must reach agreements with local governments concerning real estate values. Local governments have veto powers in regard to unimproved land, but they may comment only with respect to improved lots, i.e., they could prevent the consummation of any given transaction. The record shows that quite a few local governments intend to get rich by using this power, even though they should recognize that unrealistically high real property values could raise prices to an extent that no buyer would be willing to enter into an agreement, and thus the local government would not obtain dividends either. Reconciliation of such matters often takes three to four months. On the other hand, the fact is that thus far agreements have been reached in every instance, in the end.

The fact that there is no abundance of buyers interested in purchasing the small enterprises included in the program creates a greater concern. Interested buyers appear here and there for property located in Budapest—but even in Budapest, mainly for property located in the downtown area, but the situation is far worse in the countryside. According to Vogl, one or two well-to-do small tradesmen would buy firms worth 40 million forints for between 15 million and 20 million forints, but they do not even want to hear about assuming the earlier indebtedness of firms. Such debts could amount to as much as 10 million forints. Great uncertainty exists with respect to employee buy-out proposals because, from a practical standpoint, no valid Property Policy Guidelines have existed since last October. Short of anything better, ownership shares are being offered to workers based on the old rules. The related benefit is not excessive; only 15 percent of the assets can be purchased at half price. Expert consultants are unable to recommend the use of E-Loans [Existential, Small Business Loans] because profits would often have to be increased 15-fold in order to generate sufficient resources to repay such loans. The Employee Stockholder Program is sorely missed; its taking effect could boost the sale of enterprises to employees. Rumors are that there will be a certain opportunity for a leasing arrangement, but no specific information in this regard is available.

### Expanding Scope

Aside from the usual consultant fees, expert consultants participating in the program have not reaped great

profits from this line of business, because they obtain their share of compensation from AVU only after an actual sale has been consummated. But the accumulated experience and connections may serve well in the second step of the program; it will begin soon, according to an official decision reached by the AVU Board of Directors. With the preliminary selection complete, the AVU is presently in the process of finalizing the list of the anticipated 300 enterprises to be privatized. It is generally believed that the firms to be included in this package are likely going to have a book value and annual sales revenues amounting to less than 1 billion forints, and employ fewer than 1,000 workers. The total value of assets of these firms may be as high as 120 billion forints as compared to the total value of 40 billion forints represented by the first set of enterprises, according to calculations made by some consultants. The list of enterprises will be released in early April. Simultaneously with the start of this program, the number of expert consultant participating will also be increased; about 50 new firms will be added to the list of approved consultants. A new feature linked to the second phase is that the AVU restricts the number of transactions to be dealt with at any given point in time by a consultant to 15. Another circumstance that may prompt consultants to think twice before entering into this business is that they will have to pay a 100,000-forint registration fee upon signing new overall agreements. It probably will be worthwhile to accept greater risks for enterprises of this size.

### Different Views of Recent Forint Devaluation

#### HVG Report

92CH0459A Budapest HETI VILAGGAZDASAG  
in Hungarian 21 Mar 92 p 15

[Unattributed article: "Mini Devaluation"]

[Text] The Hungarian National Bank [MNB] has devalued the forint compared to convertible foreign exchange by 1.9 percent, and simultaneously decreased certain central bank interest rates. For example, the interest rate on loans payable in forints on the basis of foreign exchange in the form of negotiable instruments ["deviza"] has been reduced from 32.2 percent to 28 percent, and the interest on refinancing loans that mature within a year has dropped from 29 percent to 28 percent. Central bank officials claim that the two measures are part and parcel of an identical monetary policy goal. Since money is "pouring" into the country while significant differences exist between domestic and international interest rates, the market is offsetting this difference as a result of the appreciation of the forint, and this appreciation is best indicated by changes in black-market exchange rates. The central bank regards as its duty the preservation of the worth of the national currency, and therefore wants to maintain the exchange rate of the forint at or near a certain level. Accordingly, in case of a long-term depreciation or appreciation manifested by the market, the bank is forced to intervene

by adjusting the official exchange rate; as a result of the cause that prompted the change, however, a reduction in the interest rate can also help to momentarily formulate the exchange rate in Hungary. Central bank officials claim that this situation would also prevail if there existed a functioning foreign exchange negotiables market in Hungary. At the same time, devaluation increases inflation, and reductions in interest rates are not accompanied by further price increases only if the central bank pursues strict tight money policies, or if no appropriate domestic demand for money evolves in response to lower interest rates. Presumably, MNB leaders hope for the latter situation, because they implement tight money measures in conjunction with reducing the interest rates.

Incidentally, one cannot draw conclusions concerning the depreciation or appreciation of the forint based on the daily fluctuation in the exchange rates of the forint and of foreign exchange. For example, despite the 5.8-percent devaluation last 9 November, only 135.05 forints had to be paid for the British pound on 13 March, while the same price was 138.66 forints at the time of devaluation. In contrast, a higher price than before had to be paid for the dollar on both of these dates. This occurs because MNB exchange rates follow the fluctuation of market cross exchange rates. One fixed point exists, however: the exchange rate calculated on the basis of the foreign exchange basket. This is based on the fact that the foreign exchange basket contains dollars to an extent of 50 percent, and ECU's [European Currency Unit] representing Common Market foreign exchange to an extent of 50 percent. The 1.9 higher price pertains to this fixed point value.

#### FIGYELO Report

92CH0459B Budapest FIGYELO in Hungarian  
19 Mar 92 p 4

[Unattributed article: "How Far Does It Reach?"]

[Text] Effective 16 March, the MNB devalued the forint as compared to convertible currencies by 1.9 percent under its own authority. Arguments supportive of the extent of devaluation indicate that the MNB has taken into consideration the profitability of Hungarian exports, differences in foreign and domestic price levels and simultaneously announced MNB measures to reduce interest rates.

Once again, this measure appears to be a compromise that satisfies no one. According to the MNB, monetary considerations did not warrant a devaluation at all. After all, based on money supply data, the current balance of payments in January closed with a \$300 million surplus and the foreign capital flow continues. The sole argument supportive of the exchange rate correction is a significant appreciation of the Hungarian currency, according to MNB President Peter Akos Bod. Thus, imports have become cheaper from the standpoint of commerce, and

foreign products squeeze domestic products out of the market, so the argument goes.

This argument sounds somewhat different from the external economic standpoint. The 1.9-percent devaluation hardly represents any particular advantage to exporters. Experts believe that a minimum 5-percent change in exchange rates would make a difference to exporters. Such change, however, could have increased price levels by a minimum of 2-3 percentage points. Similarly, the small-scale devaluation hardly sufficed to protect domestic industry. To the contrary: Last year's favorable increase in exports payable in convertible currencies was based in part on the fact that producers were able to increase their exports to developed countries as a result of incorporating Western component parts, freely imported by them. From this standpoint, the present devaluation tends to deteriorate, rather than improve the competitiveness of such producers. Not to mention the fact that a substantial part of the 1991 convertible currency-based import increment was based on the importation of excess energy resources. This, on the other hand, was due to the conversion to dollar-based settlement.

Insofar as the importation of consumer goods is concerned, the present devaluation hardly serves as an incentive to the ever increasing number of foreign joint enterprises to purchase from Hungarian firms instead of buying their own products, manufactured in their home countries.

If this year's imports also show a significant drop, such drop "may" much rather be a consequence of the tightening domestic market responding to the effects of the bankruptcy law.

#### Troubled Credit Bank President Interviewed

92CH0457E Budapest HETI VILAGGAZDASAG  
in Hungarian 21 Mar 92 pp 91-92

[Interview with Hungarian Credit Bank Chairman and President Arpad Bartha by Aniko Szanto; place and date not given: "Before the Hungarian Credit Bank Annual Meeting; Goals in Reserve"—first paragraph is HETI VILAGGAZDASAG introduction]

[Text] More than half of Hungary's economic performance may be credited to the MHB's [Hungarian Credit Bank] clients. Arpad Bartha, the chairman and president of the bank in which the state holds majority ownership, is satisfied with his firm's 1991 performance; moreover, he is not concerned about an "avalanche of bankruptcies," as predicted by certain economists, according to his statement to HVG [HETI VILAGGAZDASAG]. (Certain government officials believe that Bartha's title in the future will be president, at best.)

[Szanto] In establishing the MHB in 1987, the state was forced to transfer a few "bad" debts to the bank. It is well-known that the outstanding merchant Sandor Demjan managed the bank like a businessman, and to a



lesser extent like a banker. All this could be seen at the bank two years ago. How much of this "questionable heritage" were you able to liquidate since?

[Bartha] In the spring of 1990, at the time of my election as chairman and president, I was assured of the support of the rest of the bank leaders. By now, however, as that is appropriate from the standpoint of real competitors, they are worried about the MHB. Thanks to an institutional development program financed by the World Bank, the organization and management of the MHB fully corresponds with that of a Western bank, manifesting dynamic development. For example, the MHB's foreign exchange negotiables ["deviza"] trade has doubled. Not too long ago they qualified us in London at par with the Hungarian Foreign Trade Bank. This represents a great achievement for a bank that has a great past and that is specialized to deal with foreign exchange negotiable instruments, and I am proud of that.

[Szanto] Could it be that former deputy president Imre Boros, in charge of foreign exchange negotiables, of whom the MHB, and you, personally, got rid of at a price of great scandals, could have prepared the soil so well?

[Bartha] Despite all the concerns, the mechanization of foreign exchange negotiables transactions has been completed late last year; thus the so-called documentary transactions take altogether two days at our bank. Incidentally, the bank's clientele includes 44,000 private entrepreneurs and 12,000 enterprises. Their number increases daily, and this growth must not be attributed solely to the speed by which we handle our transactions, but also to the fact that our eastern connections are attractive: We have reached so-called clearing agreements with certain banks, as, for instance, in Bashkir, Moscow, and in the independent republics. We clear the accounts of our clients by clearing our clientele's payables and receivables within a given republic, then settle the difference with the banks with which we have "agreements." Moreover, we provide yet another service: We organize work for Hungarian firms by publicizing the kind of merchandise in demand abroad.

[Szanto] Does this perception of yours not conflict with the spirit of the law that requires banks to "act as banks" and not to engage in trade?

[Bartha] A decisive part of the trading is not performed by the bank, but by smaller firms established under the aegis of the bank, and this situation exists all over the world. Our future goal is that the MHB perform only banking functions, while the MHB group as a whole, composed of an increasing number of firms, satisfy any need expressed by clients. Most recently we established a factoring firm with an Austrian partner, primarily in order to organize the discounting of Hungarian export securities in the framework of the international network. At present we are establishing a trading firm specialized to deal with eastern trade.

[Szanto] To what extent do your 1991 results provide foundations for expansion this year?

[Bartha] They provide a very good foundation. Our results are very good. The total volume of the MHB, the so-called main balance amounted to 313 billion forints in 1991, 22 percent more than in the previous year. The bank's interest, commission and other income has increased from 57 billion forints to 85 billion forints last year, while we reduced the banking expenses and the backing for the profits—the so-called points ["kamat-marzs"] by 1 percent, down to 3.8 percent. We charged the lowest average interest rate on loans in 1991: 34.5 percent. Even this way, our profits before taxes and targeted reserve accumulations amounted to 9.3 billion forints, 200 million forints more than in 1990. We are counting on dividends amounting to 730 million forints from our earlier investment. Incidentally, the bank's basic capital has already increased by 603 million forints, because the workers were able to subscribe to stock corresponding in value with their yearly income; 50 percent of this was given to them free of charge, while they already paid up the other 50 percent as of the end of February.

[Szanto] The National Assembly has approved the financial institutions law and authorized banks to accumulate targeted reserves from their profits beginning last December to cover their outstanding uncertain receivables which represent no small amount. Since this only worsened the state's expectations to collect budgeted tax revenues, I wonder whether banking decisions have been guided from "above"?

[Bartha] Everyone sincerely recommended to us that we build targeted reserves, and all they added to these recommendations was a cautionary note not to abuse the legally established opportunity and to pay some taxes at least for 1991. Although the MHB's questionable outstanding receivables increased from 18.5 billion forints in 1990 to 25.5 billion forints in 1991, we ultimately decided to allocate somewhat more than half—4.7 billion forints—as a targeted reserve, because we would like to pay a 10 percent dividend based on our 1991 profits, and to accumulate an additional 1.2 billion forints in the form of general reserves.

[Szanto] Considering the magnitude of your questionable receivables, you were rather tolerant with respect to the state budget. How much are you going to contribute to the spring 1992 "house cleaning" of the treasury ["trezor"]?

[Bartha] We claimed tax refunds amounting to almost 2 billion forints. Since last year we paid advance taxes to the state treasury amounting to 3.7 billion forints based on the previous year's profits, we owe the budget only 1.8 billion forints after the 1991 accumulation of targeted reserves. This amount is over and above the dividends to which the state is entitled, of course.

[Szanto] How long could the MHB stand on its feet after the bankruptcy avalanche supposed to occur in the near future? Economist Laszlo Antal made statements in several places about such possibility the other day.

[Bartha] We could remain on our feet for a long time to come. We have 23 billion forints in reserves, so that statements by some to the effect that "large banks are at the brink of bankruptcy" are ridiculous. Although we would assume a great risk—and for this I should be held personally responsible—if Videoton "failed," even this would cause the loss of only one-third of our reserves. From among our large clients RABA is stumbling at present, and we have a good idea of how to enforce our claims if they privatize that firm in Győr. Incidentally, we have reduced RABA's indebtedness to MHB of 5.5 billion forints a year ago to 1.7 billion forints, and the sole reason why we did not go further was that this would have threatened the functioning of the firm. It should not be in the interest of a bank to render nonfunctional its debtors capable of getting up on their feet, because that way a bank would shortchange itself. Moreover, in order to avoid a "bankruptcy avalanche," the bank must also overcome the concerns of its own enterprises, lest it is prepared to submerge together with those firms. As I said before, this is why we organize, for example, the export activities of firms.

[Szanto] Don't you regard everything as so nice and so good at the MHB, because the city is buzzing with rumors that MDF [Hungarian Democratic Forum] member Arpad Bartha may also be removed in the course of the spring "house cleaning" of banks? If things go well you may remain only as president of the MHB if the MDF decides to sever the chairman's functions from the president's job, and assigns the chairman's functions to party politicians. At that point presidents would become "cooperating" managers.

[Bartha] These rumors have reached me, too, nevertheless I will say what I have to say not as a speech in my own defense, but as a matter of objective information. I am an elected leader who can be recalled at any time by the MHB board of directors or by the owners at the annual meeting—which in our case represents 49.3 percent state ownership from the outset—unless I perform the way they expect me to perform. There may also be other reasons for

a recall: For example, the political activity of a leader, and by this I mean whether the leader is linked to some movement or some ideal within the organized framework, and whether he actively pursues such a movement or ideal. I do not pursue political activities in this sense, I am not a member of the MDF or the SZDSZ [Alliance of Free Democrats], I am interested exclusively in the best possible operation of the economy. Incidentally, our 1991 results were even better than what our consultants—the Coopers & Lybrand firm—expected from us in the first year, in the framework of our five-year strategy. Some people nevertheless knowingly spread word about MHB's ill fame, and I do not know who these people are; they are spreading erroneous, untrue reports all the way up to the government.

[Szanto] Don't you think that some adverse things could be said about the MHB based on facts?

[Bartha] Such reports could only have a single basis—and I do not deal with rumors: the capitalization index that has been declared to be the yard stick by which the security of a bank is measured, the indicator that shows the relationship between a bank's sales and its capital. To this date, State Banking Supervision has not finalized the method for calculating this index, even though the law on financial institutions has taken effect last December. Meanwhile, however, the Banking Supervision has many times requested preliminary data to be presented in various ways. At the MHB this index ranged between 1.9 and 8.6. What appears to be the final index number is 6.44, i.e., only somewhat less than the 7.25 index figure required by law. People are always inclined to remember the worst, and to disseminate the worst kind of information. Incidentally, it is not primarily up to a bank's management to determine when the bank can acquire a large foreign capital injection. We were informed the other day that the state's strategy regarding the privatization of banks will be revealed in May. The state's staff requested that our recommendations regarding the general principles be submitted within two weeks. Therefore we supposedly should be able to hope to significantly raise the bank's basic capital this year.

**Conservative Government Coalition Viewed**

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[Interview with Andrzej Glapinski, deputy chairman of Center Accord, minister of foreign economic cooperation, by Mariola Balicka and Agnieszka Sowa; place and date not given: "Center-Christian Democratic Party"]

[Text] [WPROST] Mr. Minister, we have been hearing more and more frequently about the possibility of dissolving or suspending parliament (the president mentioned this) and forming a nonparliamentary government.

[Glapinski] That is a very dangerous concept. In the political salons of Warsaw it is being said that parliament should be suppressed by a strong government which has its support outside of parliament. The social underlay for this would be the impatience and the presumed waiting of Poles for strong rule, giving more consideration to effectiveness of action than to observance of the law. There is talk about a cabinet described as a "government of professionals," in which the key positions would be occupied by wealthy, well-known entrepreneurs.

[WPROST] "Niemczycki for prime minister"?

[Glapinski] Various names appear and that is why I would rather not give personal data. Such a concept would not only not serve the interests of the country, but it could halt democracy for a long time. That is why Center Accord (PC), the Democratic Union (UD), and other important forces, are doing everything to provide stability to the existing system. What we now have may not fulfill all of our expectations, but still it is a democracy. It is disturbing that recently even some politicians who are ideologically close to us, tend to yield to the myth about a short-cut to a market economy, saying that democracy in this interim phase is not very necessary and may even interfere.

[WPROST] Who is promoting the idea of a "short-cut"?

[Glapinski] Certain circles of economic and political journalists, part of the old establishment and the press group connected with them, i.e., the new, postcommunist leftists, which Mrs. Staniszkis calls the "'84 Generation," including in them—whether correctly or not I don't know—WPROST. And of the politicians? Zbigniew Bujak talks the most about a government of professionals, and Senator Celinski promotes a similar theory. They say that the parties in Poland are anachronistic, provincial, and xenophobic. They argue about abortion instead of concerning themselves with the economy and organic work. I will grant that those promoting these theories are well-intentioned, but the belief that normal economic structures can arise without a parliamentary democracy and political institutions is very naive. If a bank is to be a bank and not a front for the mafia, there must be parliamentary commissions, an independent press, and access to information.

[WPROST] Still another scenario, less dramatic. The coalition of the Center, the Congress and the Union, which is becoming apparent, would overthrow Jan Olszewski's government. Would Center Accord, which after all, is in the government, although it does not regard its presence as satisfying, decide to "go for broke"?

[Glapinski] I do not regard as responsible those politicians who want to overthrow the government, for which there is no reasonable alternative at this time. In the present situation no one has even a hypothetical alternative prime minister, a person around whom more than two political forces could assemble. A parliamentary majority is completely out of the realm of possibility. That is the basic dilemma. Lack of an alternative is also the strength of this government. Furthermore, it has a very solid socioeconomic program.

[WPROST] Olszewski's government also does not have a parliamentary majority?

[Glapinski] A coalition cannot be reduced to arithmetic. What counts is the idea and the weight that the person of the prime minister can bring to it, his social authority. The entire construction can be based on a minority coalition, but it has to be credible enough that when it comes to voting the necessary majority can be obtained. At this time there is no such alternative construction, although a few clever politicians from various parties are working on creating it.

[WPROST] Wasn't the dispute between Prime Minister Olszewski and PC leader Jaroslaw Kaczynski—ostensibly concerning the expansion of a government base—really the rivalry of two politicians both with ambitions to unite the Polish center-right?

[Glapinski] Much more important than the presumed rivalry of politicians is the rivalry of different concepts of shaping the Polish political scene, of different ideas on the Christian Democracy that is supposed to arise in the country and that is supposed to serve it well.

[WPROST] How do these two concepts differ?

[Glapinski] Chairman Kaczynski believes that there is place in Poland for two center-right camps. A group similar to PC, conservative in the moral and ethical sphere, but envisaging rapid changes in economic and political structures bringing them closer to Western models. And a second group, more traditional and conservative, not envisaging the need to make in Poland such radical institutional and structural changes, i.e., conservative also in the economic and political, not just the moral, sense. Prime Minister Olszewski, on the other hand, believes, it seems to me, that one Christian, peasant bloc should appear, loose in nature but coming together at the time of elections.

[WPROST] Kaczynski's concept envisages the division of the center-right. What groupings would make up these two camps?



[Glapiński] The "new Christian-Democratic party" is Center Accord, PSL [Polish Peasant Party] Solidarity, small Christian-Democratic groupings, other elements of the peasant movement, the Republican Coalition, and possibly the Liberal-Democratic Congress, or at least that part of it which is not of a libertarian character, but is liberal-conservative, calling upon Christian values. And possibly from politicians from the right wing of the UD. On the other hand, a large part of the ZChN and the peasant movement oscillates around the "conservative Christian-Democratic party."

[WPROST] In modeling the right side of the political scene, you and Chairman Kaczynski are dividing the Union and the Congress. Would Center Accord also have to break up?

[Glapiński] In every party there are different factions. In matters of current policy, in support for Olszewski's government, there are no differences in PC. However, we are indeed carrying on a discussion on the subject of a long-range vision of the center-right part of the panorama of political life.

[WPROST] It is true that Jaroslaw Kaczynski got himself labelled the "kingmaker," but after creating the last "king," PC did not get very much, which Kaczynski loudly admits. Earlier they worked hard on forming the Mazowiecki government, then during the elections of Walesa for president. The leaders of PC are always on the front lines, but they are not very effective.

[Glapiński] It is ridiculous to talk about a "kingmaker," that he is an ineffective politician. Anyone who wins a series of important skirmishes, one after another, is very effective. When Kaczynski worked on forming the Olszewski government he foresaw just the situation that we have today. Not completely what PC would have liked it to be, but the alternative would have been much worse. It could also have happened that it was not the center-right forces that shaped the face of Poland, and the country, we believe, would be going in a very bad direction.

[WPROST] If the attempts to expand the coalition, and thus to strengthen PC's role in the government, are not successful, then again—as during Prime Minister Bielecki's time in office—will the ministers from PC openly attack the government in striving for a better position for the party?

[Glapiński] We never publicly criticized the government, contrary to what the leftist press wrote on this subject.

[WPROST] But you spoke at the memorable conference, together with Chairman Kaczynski. You suggested at that time, after sharply criticizing the cabinet, that some ministers, including Deputy Prime Minister Balcerowicz, be replaced. His successor, specifically, was to be you.

[Glapiński] Our statements can be checked, if there is a tape. Chairman Kaczynski spoke about Balcerowicz in

answering a question about an alternative economic policy. It was a matter of programs, not personalities, although perhaps in the fervor certain names were mentioned as possible replacements for others.

Today we have a diametrically different situation. We are dealing with the first government formed as a result of free elections, thus it reflects for the first time, the true arrangement of forces and the will of the nation. We would respect every such cabinet, even if it were to have a leftist character.

[WPROST] Center Accord did not consent to the acceptance of ZChN into the elections committee of the PC [Citizen's Center Accord], but it had no objection to going into a government dominated by this party. The Union was a bitter enemy and today it wants to go into the government. Does PC have any limits to a political compromise?

[Glapiński] We are, like every truly center party, flexible, pragmatic and moderate. We always say: yes, but... or: no, but. ZChN or UD are not completely bad or good for us, they are both this and that. We never take a categorical position of refusing to dialogue, as unfortunately sometimes happens with politicians from ZChN or UD. Our political differences do not have an emotional or personal tinge. There is great risk in such a position; it is easy to become, in the public mind, a "nothing" party, with nothing to say, or opportunistic. We are not guided by doctrinal extremism, but by cool, healthy reason. We are not appealing to the frustrated or to the "improvers" of the world. We are a party of normal, ordinary Poles.

[WPROST] Let us go on, therefore, to matters which perhaps interest the "normal, ordinary Poles" more than the incomprehensible political games at the "top." The IMF financial assistance program was suspended because Poland exceeded the budget deficit last year. Now Prime Minister Olszewski envisages an increase in the deficit. What are the chances that IMF will approve such extravagance on the part of the Polish authorities?

[Glapiński] IMF's object of concern is not so much the higher than anticipated deficit, but lack of faith that the budget shortage can be kept within the limits set by the government. I am afraid that the deficit will be several percent and not five, and that inflation will not remain below 45 percent.

[WPROST] Therefore, there is no chance that the assistance will be restored?

[Glapiński] It is not that bad. IMF proposes even greater cuts in budgetary expenditures. We cannot agree to everything. Particularly unacceptable is a reduction in expenditures for national security.

[WPROST] The economic assumptions strongly emphasize the need to reduce import of consumer goods. Attempts were already made to do so in August by raising duties. There were no results.

[Glapinski] We want to oppose dishonest competition, subsidized goods, goods of bad quality, incorrectly labeled. We will demand that labeling be in Polish and that sanitary standards be observed so that a consumer will know what, besides a colorful package, he is buying.

[WPROST] But these restrictions are primarily supposed to protect the producer, not the consumer.

[Glapinski] This obviously helps the Polish producer. But in no case do we close borders. Duties will be increasingly lower. We are only giving Polish agriculture time to adapt itself.

[WPROST] The proposed aggressive promotion of export, exemptions from dividend and sales tax—that is a big loss to the budget.

[Glapinski] Loans and guarantees will not be made at a rate which will cause expenditures to exceed profits.

[WPROST] Will such a limited promotion of export bring any kind of results?

[Glapinski] Unfortunately, the results may be modest. We are too poor to do what is needed to become wealthy. That is the paradox of a modest budget. There are enormous barter trade possibilities in the East with the CIS countries. But in order to begin, we have to invest, at least a little. The German firms are doing this. We intend to privatize foreign trade offices and designate the money obtained from the sale of shares for export oriented lines of credit.

[WPROST] The government intends to restore state monopoly in fuels trade. Does this mean that Aleksander Gawronski will be forced to close his gasoline stations?

[Glapinski] There are even ideas for a state monopoly in production also. Neither I nor the prime minister support these concepts. However, we should restore strict control over sales of excise-covered products. The best method of control is banding of goods. Then no one, including the person buying unmarked goods, will be able to say that he did not know that the duty and tax had not been paid. That will be possible in a few months. I am right now proposing that foreign turnovers of alcohol, fuels and tobacco products be licensed. That is not a monopoly.

[WPROST] Who will obtain a license?

[Glapinski] Any respectable firm. The problem is, of course, how to define this criterion more closely. Respectable, i.e., not in trouble with the police or the treasury office.

[WPROST] Officials will decide who will get licenses and quotas. Does this not give rise to scandals?

[Glapinski] I would very much wish that there not be any licenses or quotas in Poland. But the situation is tragic: The loss to the budget due to unpaid duty and taxes is estimated at one-third of the deficit: 15 trillion zlotys.

[WPROST] Instead of scandals involving nonpayment of duty there will be bribery, money placed in envelopes, in return for quotas or licenses.

[Glapinski] There is no ideal solution. Corruption can be prevented only through a clear determination of who, by name, will make a decision to grant a license or quota.

[WPROST] Will it not be that the Petroleum Industry Center will receive 70 percent of the fuels quota?

[Glapinski] At the moment we do not know whether there will be quotas. If so, we will publicly discuss how to divide them. I am primarily interested in licenses. Today one can register a company, make a sale and liquidate a business, without paying the fees owed to the state treasury.

[WPROST] What about sales of weapons?

[Glapinski] We are in danger of becoming involved in a scandal on an international scale all of the time. Weapons sales are at this time a normal field of activity of private and state enterprises. It is licensed, but the rules are not completely clear. I am in favor of strengthening the state's control. Possibly it might even be advisable to establish a state monopoly on special sales. I will soon submit the a pertinent proposal for discussion.

[WPROST] Did Poland supply weapons to Iraq and Yugoslavia contrary to UN regulations?

[Glapinski] Suspensions are not enough to seriously talk about this in public. If there is no proof, there is no crime.

### **ZChN Leaders, Program, Goals Outlined**

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in Polish 15 Mar 92 pp 1, 16

[Article by Cezary Leszczynski and Piotr Pytlakowski: "The ZChN Attacks?: God Blesses Christians, Especially National Ones"]

[Text] The party is small in body, but great in spirit.

"We don't all sit on the same sofa," says one of its activists.

They admit to 5,200 members paying regular dues of 10,000 zlotys [Z] monthly. It is difficult, however, to verify that data.

The spirit of the party finds its fullest material expression during Sejm debates. Members of the Christian-National Union [ZChN] are unyielding and principled. They attack on all fronts.

In the previous term, only three deputies confirmed their allegiance to the Christian Nationalists. The party was formed, after all, after the [June 1989] election, on 28 October 1989. It is interesting that the founding congress took place in the hall of the Warsaw Polytechnic, but the

historical coincidence [with the founding place of the Polish United Workers Party (PZPR)] was surely accidental.

The ZChN was formed from the uniting of several informal groups, known as clubs, which were, it must be admitted, more social than political. There was the GLOS [Voice] group, the Lodz group, the LAD I WOLNOSC [Order and Freedom] group. Only when people connected with parish councils joined, did the party acquire a more mass character. A typical representative of that group is Henryk Goryszewski, the vice president of the ZChN, one of the organizers of the church monitoring service.

Besides the above-mentioned, first violin in this orchestra is played by Wieslaw Chrzanowski, ZChN's president; Antoni Macierewicz and Jerzy Kropiwnicki, vice presidents; Stefan Niesiolowski, acting chair of the parliamentary club; Jan Lopuszanski, chair of the Directing Council; Miroslaw Jakubowski, general secretary; Ryszard Makowski, treasurer; and deputy Marek Jurek.

The great effectiveness with which the ZChN achieves its chosen political goals amazes observers. Its electoral success surpasses expectations: over 8 percent of the votes, and 49 seats in parliament. Then it ably takes advantage of its role as the group holding the balance during the formation of the government coalition.

As a result, even before Prime Minister Olszewski, the ZChN unleashed an offensive on the strategic seats in the Sejm. Wieslaw Chrzanowski became Marshal. Union deputies headed up four commissions, and are vice chairs in 11. They took three ministries in the government: internal affairs, labor and social affairs, and justice. A member of the ZChN became Office of State Protection chief; another, vice minister of foreign affairs; and a third, government spokesman. A whole array of nonparty cabinet members do not hide their sympathies for the National Christians.

Does the "Cathocracy" really hold power in Poland, as some claim? It seems that these fears are a little hasty. The ZChN has only so far unleashed a sortie of reconnaissance. But everything points to their march to the summits continuing. For power is like a magnet, attracting without resistance.

For the moment, the Union has occupied beachheads which require less responsibility. The economic ministries were given to the Center Accord. It is easier to slip there than in, for example, the Ministry of Internal Affairs. The tactics are simple: Wait for the right moment.

The ZChN is regrouping its forces. The making of alliances is taking place, in accordance with the traditions of Chejno-Piast. The Union has engaged close cooperation, as it is described, with the Peasant Accord (Individual Farmers' Solidarity and the Mikolajczyk Polish Peasants' Party). Deputy Marek Jurek explained

that this was the "first step towards the unification of Christian Democrat-Nationalist-Peasant groups."

At the same time, a clear polarization of moods is taking place in the Center Accord. Jaroslaw Kaczynski's group cannot find a common language with Przemyslaw Hniedziewicz's people. Much points to the existence of a fraction within the Center Accord, which is naturally pulled toward the National Christians. Perhaps the political map will undergo some remodeling very soon, and the ZChN will enlarge its base.

Prime Minister Jan Olszewski takes an unclear position. It seemed that, admired by the Kaczynski brothers, he maintained his loyalty to them. Lately, however, it can be seen ever more distinctly that the prime minister looks toward the Union with a favorable glance. This arouses understandable frustration in the camp of his erstwhile friends. Jacek Maziariski, in an article published recently in NOWY SWIAT, wonders "who is setting the prime minister up."

The Christian-National Union "exploded" during Election Sunday last fall. Polls showed that they had a chance for barely 2 to 3 percent. They received 8.73 percent.

Even today a note of triumphalism sounds in the speeches of ZChN deputies in the Sejm: We won, and we are here. The truth is slightly different. It is not the ZChN, but another group, the amorphous Catholic Election Action [WAK], constructed for a specific use, which scored a success in the elections.

In WAK's program, it is difficult to find original economic elements, or ideas for government. Ideological, world-view accents were explicit, however. Slogans about Christian values and the social teaching of the church had universal significance. In a country where Catholics constitute more than 90 percent of the population, dazzling with Catholicism is a rather uncomplicated social technique. An array of parties from left to right voiced praise of Christianity during the campaign. Former Prime Minister Tadeusz Mazowiecki began his meetings with voters with prayers. The Confederation for an Independent Poland referred to the historical slogan "God, Honor, Fatherland." The peasant parties did the same. Yet the church gave its favor to the Catholic Election Action.

The pastors of souls, who are supposed to be apolitical, after all, explicitly joined the election campaign. The most spectacular expression of this was the statement, regarded as unfortunate, by Bishop Michalik of Gorzow: Let Catholics vote for Catholics.

The peak of priests' participation in agitation was on election Sunday. From many pulpits, the words were not minced at all: We shall vote for number 17. WAK's electoral slate had that number.

Since we recognize that the ZChN achieved its success in the election with the help of the clergy, it will be a logical

statement to say that it was recognized by the church as the official, anointed, and blessed party.

And yet some humility would do ZChN activists some good. Invocation of a mandate of the people would seem to constitute an abuse. With a 40-percent turnout and not quite 9 percent of the votes, that mandate has foundations which are too brittle. Studies show that WAK's electoral clientele was rather unique. It is dominated by people over 60, residents of villages and small towns, with an elementary school education (more rarely high school). It is difficult to claim that such a base of voters is fully conscious of its political expectations, and of constant sentiments.

Right now, the ZChN reminds one of a group of professionals. Its members, as in many other young parties, do not constitute a monolith, though for the moment one does not hear about more serious frictions. The individual who binds together the various strains in the party is Prof. Wieslaw Chrzanowski, who is respected even by political opponents.

Such figures as Antoni Macierewicz, Stefan Niesiolowski, or Jerzy Kropiwnicki are representatives of PRL [Polish People's Republic] dissidents. They come, in fact, from wings of the opposition which are rather distant from one another: Macierewicz from the Workers' Defense Committee, Niesiolowski from the Movement for the Defense of Human and Civil Rights. Besides these individuals, the leadership is made up of people who under socialism acted openly, and were tolerated by the authorities of the time. Henryk Goryszewski was a ministerial bureaucrat, and an activist in the Polish Catholic-Social Union. Ryszard Bender had a seat in the "appointed" Sejm. Ryszard Parulski, once a well-known sportsman, and a WAK candidate to the Sejm, performed various functions in organizations honored by the authorities of the time.

In the ZChN's local cells, personal differences disappear. Members of parish councils who never had anything in common with politics are joining the party.

It would be difficult for political observers in Poland to point to particulars which undoubtedly distinguish the ZChN in the mosaic of other groups that invoke the church's social teaching. Actually, one decisive distinguishing characteristic was the attitude to the emotional discussion on abortion. Against a background of many reasoned voices, the ZChN's position left no margin for doubt. The party's chief ideologue on the abortion question was and still is deputy Jan Lopuszanski, author of a dissertation on the legal aspects of termination of pregnancy.

The Union also took a clear position on the question of returning lost property to the church. As an aside to this issue, it is worth noting that the atmosphere surrounding the reclamation of church properties is no longer no unequivocal. Articles which describe critically the church's unyielding position in negotiations on return of property have even appeared in SPOTKANIA, a weekly respected by the Episcopate.

It can be expected that the next phase of the ZChN's offensive will be played out beyond Warsaw, in the voivodships. For now, this is the group's weak point.

The party is strongest in Warsaw (of course, as the center), and also in Lodz and Gorzow (Bishop Michalik). It is also numerous in Poznan and Wroclaw.

Gorzow Wielkopolski is decidedly ZChN territory. The new voivode, Senator Zbigniew Pus, is a member of the party, as are several prominent voivodship officials, including Education Inspector Kazimierz Marcinkiewicz, which fact has no small influence on a new quality in religious life in the schools. It is interesting that a party which has such a strong representation in Gorzow numbers several dozen members in total in that voivodship.

Lodz has also been taken by the ZChN. This happened after the local government elections in 1990. Voters cast their ballots for the Lodz Citizens' Accord [LPO], identified with Solidarity. As it subsequently turned out, the LPO City President Grzegorz Palka is a member of the party, as are two vice chairs of the City Council, the secretary of the council, one of three members of the City Administration, the education inspector, and the president's press spokesman. Lodz Voivode Waldemar Bohdanowicz is also connected with the party. We may add that the ZChN's local organization numbers 400 members.

One of the complaints of party leaders is the lack of their own propaganda organ. During the election, church pulpits filled that role here and there. Now, some sort of high-circulation paper, and a TV and radio program, would come in handy. An attempt to take over one of the local papers in Wroclaw ended in a fiasco. Until recently, MAGAZIN DOLNOSLASKI, edited by party press spokesman Ryszard Czarnecki and published by a Polish-Norwegian corporation, appeared there, but it folded due to lack of readership.

An attempt was made to buy, among others, GAZETA POZNANSKA, but the Liquidation Committee chose Wojciech Fibak's offer.

The bi-monthly GLOS played the greatest role during the birth of the ZChN. Antoni Macierewicz is the editor in chief of that periodical, and Ryszard Czarnecki, Piotr Naimski, Marcin Gugulski, and Jerzy Kropiwnicki, among others, publish articles there. Wieslaw Chrzanowski is a member of the board. It must be emphasized, however, that GLOS is not a party organ. People linked with other political movements also publish articles in it.

One can find current information on party life in the ZChN BULLETIN, which comes out every two weeks with a circulation of around 2,000. In a December issue of the bulletin, one could find the Christmas wishes of Primate Jozef Glemp, which sound like a blessing: "May



peace of the soul and the grace of health be the lot of Mr. President and all the members of the Christian-National Union."

The party also has its own ideological journal, the monthly *SPRAWA POLSKA*, published in Poznan with a circulation of around 5,000 copies.

The thesis posited in the title is slightly contrary. The ZChN is not attacking, but seeks only to plant itself more strongly in the political field. The group's activities arouse various emotions. Some of the press shows a clear antipathy for the so-called ZChN line. Jaroslaw Kaczynski, a man from the same coalition, does not hide his distance from his colleagues—who are, whether he likes it or not, from the center-right. He, after all, is the author of the statement that the shortest road to the de-Christianization of Poland leads through the ZChN. Perhaps just such opinions summon the sometimes aggressive speeches of the movement's leaders.

With due respect for reawakening political life, one must say that some new parties reach back for too-distant roots. Some accuse the ZChN as well of a certain anachronism in the creation of its image. When all is said and done, the linking of Christianity with national contents in its name causes some suspicions. For until now, parties that invoked the national spirit have been basically little Christian, and have not recognized the principles of ecumenism.

### Third Farmers Union, 'Self-Defense,' Founded

#### Call for More Credits

92EP0319A Warsaw *SPOTKANIA* in Polish  
No 10, 5-11 Mar 92 p 19

[Article by A.W.K.: "The Peasants Sally Out: Prime Minister's Adviser Taken Hostage?" subtitled "The Leaders of Peasant Organizations Become High Government Officials; Farmers Make Demands Under New Banners"]

[Text] Nearly 200 farmers representing Samoobrona [Self-Defense], a new trade-union organization, gathered on 14 February from various regions of this country at the PSL [Polish Peasant Party] Building in order to voice their disapproval of the government's farm policy and present an ultimatum to the authorities. In a rally-like atmosphere, for a couple of hours they expressed total criticism of the last three governments and of the new Solidarity-affiliated Minister of Agriculture Gabriel Janowski, who had a day earlier been driven from the Sejm to a hospital.

Their principal demands concerned relieving the farm debt and providing new cheap credit. "Four trillion zlotys invested in agriculture will not spur any inflation," those present contended. "If there is a food shortage in the fall, that will really be inflation." Unless the government begins talks on this issue, protest strikes will commence. Among other things, the farmers

declared that they would refuse to pay their taxes and proposed refraining from some plantings ("Let them eat EC bread").

Little was lacking for the prime minister's farm adviser Piotr Dabrowski (since 1980 a Rural Solidarity expert and the closest associate of Gabriel Janowski), who was present during the first part of the meeting, to be detained as a hostage by those present. He expressed alarm at the formation of yet another trade union of farmers, pointing out that in the near and far past the peasant and trade-union movements in the countryside have had problems maintaining unity and gaining adequate clout and importance. "Fine, so you want to express your lack of confidence in the third Solidarity government, but what you are doing is a revolution and you will be held responsible for its consequences," he declared, appealing to members of Self-Defense for an understanding of the economic realities. "But what other way out is there?" the audience angrily asked.

During the memorable efforts to have NSZZ Solidarity registered in the years 1980-81, its members had been making demands on the communist authorities. The leaders of the peasant strikes of that era, former oppositionists and their advisers, nowadays themselves hold high offices in the government of sovereign Poland (among others, Janowski, Balazs, Stelmachowski, Dyka, Slisz, Bak). Now it is they who must respond to the rural demands and rebut the accusations of farmers who protest against the policy of the Solidarity government. As for those who feel disgruntled, they nowadays establish new organizations, question the authority of those who enjoyed it until now, and provide new leaders with growing ambitions.

#### [Box, p 19]

According to its own figures, Rural Solidarity (relegalized on 20 April 1989) has a membership of about 0.5 million, while the KZRKiOR [National Association of Farmers and Agricultural Circles and Organizations] (operating on the basis of the Law of 8 October 1982 on the Socio-Occupational Organizations of Farmers) has a membership of about 1.5 million. Both figures appear greatly exaggerated.

The Self-Defense Trade Union of Farmers (registered on 10 January 1992) was the product of last year's upsurge of farmers' protests in Darlowo, Zamosc, and Warsaw—in front of the Sejm Building. The National Committee for Farmers' Self-Defense and the All-Polish Autonomous Protest Committee of Debtor Farmers, which directed these protests, availed themselves of the support and assistance of Rural Solidarity and the KZRKiOR. The application for the registration of Self-Defense was submitted following negotiations concerning the National Commission for Farm Debt Relief and Credit Assistance (Rural Solidarity and the KZRKiOR formed two separate trade-union commissions for this purpose), and following disputes on the interpretation of the agreement concluded with the government on 14 February 1991.

The chairman of Rural Solidarity, the Sejm Deputy Gabriel Janowski, resigned his chairmanship upon being appointed minister of agriculture; the duties of the chairman are at present exercised by Deputy Roman Wierzbicki [Peasant Accord, PL]. The chairman of the KZRKiOR is Deputy Janusz Maksymiuk (Polish Peasant Party "Program Alliance," previously the PZPR [as published]).

In the parliamentary elections Rural Solidarity was the core of the Peasant Alliance, having formed a coalition with the Solidarity PSL [Polish Peasant Party] and the "Mikolajczyk" PSL, while the KZRKiOR was a member of the "Program Alliance" organized by the PSL.

### Differences With Rural Solidarity

92EP0319B Warsaw SPOTKANIA in Polish  
No 10, 5-11 Mar 92 p 18

[Interview with Andrzej Lepper, leader of the Rural Trade Union "Self-Defense," by Andrzej W. Kaczorowski; place and date not given: "The Ultimatum of the Third Force"]

[Text] [Kaczorowski] Do farmers need a third trade union?

[Lepper] A second one, properly speaking, because, after all, agricultural circles [reference to the KZRKiOR] are a socio-occupational organization which can hardly be considered a typical trade union. But even assuming that two different farmers' trade unions already exist, so far their activities have been ineffective and, therefore, they are to some extent responsible for the crisis being experienced by our entire agriculture.

[Kaczorowski] But Rural Solidarity had been consistently criticizing the Balcerowicz plan and the farm policies of the Mazowiecki and Bielecki governments.

[Lepper] Then why has not it, for example, been taking part in the talks on Poland's association with EC? What does Minister Skubiszewski have in common with agriculture? Rural Solidarity has not even shown any interest in the meaning of Poland's joining EC. Yet that would mean an opportunity for it to receive EC subsidies.

The worst thing was that it paid no attention to credit. The actual scale of farm indebtedness is hidden. The banks have been regularly granting loans to pay off previous loans, upon crediting them to their operating capital and captioning them as current loans. And now bank directors claim that as many as 60-80 percent of farmers are unable to repay their loans.

Minister Janowski in his capacity as a Rural Solidarity member had demanded a 12-percent interest rate on loans, but now he is proposing an interest rate that is three-fourths the interest rate on refinancing credit. What guarantees do we have that this interest rate will not soar to 100 percent in May? Even 50 percent cannot be sustained by farming, given its current indebtedness.

[Kaczorowski] Does the name of your trade union hark back to the Peasant Self-Defense Committees which had arisen even before August 1980 [that is, before Solidarity]?

[Lepper] No, this is fortuitous. On 27 July 1991 the Agricultural Self-Defense Committee was formed in Zielnowo, Darlowo Gmina [rural township]. At that time, of course, no one yet thought of forming a new trade union. We wanted to be active in self-defense committees by analogy with citizen's committees.

At present no trade unions or political parties are operating in the village and gmina. At the grassroots level there is a vacuum, while at the higher levels, from the voivodship to the central levels, leaders are chiefly interested in politics and power struggle. When we began to protest in Darlowo, Zamosc, and in front of the Sejm Building, Rural Solidarity and agricultural circles were busy with the electoral campaign.

[Kaczorowski] But in the end an agreement for assistance to debtor farmers could be signed.

[Lepper] It was we, protesting Polish farmers from all organizations, who had on 14 November 1991 brought about the meeting of the leaders of peasant parties and trade unions. It was in response to our invitation that they all offered declarations of loyalty in front of the Sejm. Later, however, Rural Solidarity and agricultural circles turned against us. Instead of a single National Farm Debt Relief and Credit Assistance Commission, contrary to the original agreement, two separate trade-union commissions were formed. We had to exit from the auditorium because we were not recognized and our lack of legal entity was derided. Thus, emulating Rural Solidarity itself, we applied to a court for registration and on 10 January 1992 our trade union was registered.

Most of us are former members of Rural Solidarity, chiefly those who had been instrumental in establishing its local branches, authentic activists. Moreover, Baumgart has declared that, if Self-Defense is registered and he gets disappointed in Rural Solidarity once more, he also will join us. But we told him, "Piotr, your place is not with us." Kulaj and Kecik also attended a meeting of ours, probably with the idea of trying once more, but I know in advance the end-result. We do not want to admit to our trade union individuals who compromised themselves or whose hands are not clean.

[Kaczorowski] How will your organization differ from Rural Solidarity?

[Lepper] Our aims are similar: the protection of the Polish farmer. But we desire to be different in being more consistent. Furthermore, our attitude toward the government is more radical than conciliatory: We desire to act toward it as constructive opposition. Above all, we

demand a program for rescuing Polish farming. We also advocate that Poland ratify ILO Convention No. 141 on farmers' trade unions, which is mandatory within EC. Furthermore, we want the Sejm to revise the Law of 7 April 1989 on Farmers' Trade Unions.

[Kaczorowski] But the head of a farmers' trade union is now the minister of agriculture. Is not this enough?

[Lepper] Under normal conditions in a normal country a trade union should not even be represented in the parliament. I do not believe that nowadays it is a good solution for the chairman of Rural Solidarity to head the ministry of agriculture. As a member of the Peasant Alliance, Rural Solidarity is part of the ruling coalition. How then can it act in opposition to the government?

[Kaczorowski] No Sejm deputy yet has joined Farmers' Self-Defense.

[Lepper] We have received telephone calls and messages from certain deputies who want to meet with us, though only unofficially, at the Sejm hotel or somewhere else outside. For now we have 15,000 membership applications. We can associate farmers and everyone who is working for the agricultural services or on behalf of agriculture. We are not interested in mass recruitment of members; we want to sign up individuals who desire to be truly active.

[Kaczorowski] It seems that coming spring once again is going to be a time of unrest among farmers.

[Lepper] At our conference on 14 February we presented the government with an ultimatum on debt relief and credit assistance for agriculture. We have maximally exploited the statutory approach. If our demands are not met, we shall commence protest strikes. As to the form of these strikes, let the people themselves decide.

[Box, p 18]

Andrzej Lepper, 38 years old, owner of a 120-hectare farm in Koszalin Voivodship. Prior to 1980 a state farm employee. Former PZPR member, participant in Farmers' Olympics, member of the National Council of Young Farmers, ZMW [Rural Youth Union]. Last year he chaired the National Autonomous Protest Committee of Debtor Farmers. Married, with three children.

#### Union Threatened With Eviction

92EP0319C Warsaw GLOB 24 in Polish 20-22 Mar 92  
p 3

[Article by Grazyna Zurawska: "From One Farmer to Another"]

[Text] At the Warsaw offices of the Self-Defense Farmers' Trade Union farmers from all over the country can be always seen. They come in search of help, to provide information on new activities of farm tenants, or to bring invitations to gmina [rural township] meetings. One such meeting, in Konopnica (Sieradz Voivodship),

was attended by Senator Edmund Jagiello. The peasants came bearing scythes and axes, and at the end of the meeting they bewailed together with the senator the fate of the debtor farmers. Concerned by their problems, Jagiello presented an open letter from Self-Defense at a Senate session. The letter said, "The situation of Polish agriculture and farmers is becoming more tense with each day. The absence of clear legislation is absolutely injurious to Polish farming and there are no clear signals that our situation will improve." The Self-Defense Farmers' Trade Union, perceived as an authentic trade union of rural inhabitants, has been bombarding the Sejm, the senate, the prime minister and the president, with letters. It has scheduled its first congress on 28 March. Seeking a way out of the dramatic situation of many debtor farmers, Self-Defense has submitted to the Constitutional Tribunal a plea pointing out the inconsonance between the Banking Law and Article 1 of the Constitution of the Republic of Poland and arguing that the Banking Law violates the principle of equal treatment before law, impairs the trust of citizens in their government, and breaches the principle of inviolability of agreements.

Recently Self-Defense has been having a housing problem. At first hospitably housed in a small office in the ZMW [Rural Youth Union] Building—at the time when farmers held a hunger strike in front of the Sejm—it moved to a larger room after becoming registered. But now the ZMW demands that it vacate that room. Mail addressed to Self-Defense is being returned with the notation, "Not at ZMW," and the ZMW has disconnected its telephone. When Self-Defense had first moved there, it signed no lease agreement; there was only a verbal agreement that it could avail itself of the room in the ZMW Building on Nowy Swiat Street until it found an office of its own. Self-Defense wants to pay for its room at ZMW and has asked the ZMW authorities to sign a regular lease agreement so as to make it legal, but the ZMW no longer wants to be its host. There have even been scuffles and access to Self-Defense's office was barred at times, with the door being sealed. In the opinion of Self-Defense the situation is complicated by the absence of [a legal] owner of the building at 18 Nowy Swiat.

Jan Bury, the ZMW chairman (and PSL [Polish Peasant Party] deputy), claims, "We proceeded from the premise that Self-Defense was established in a difficult situation and needed to be helped, and we even donated a modest amount while the farmers' hunger strike was being held in front of the Sejm. Thus, we provided an office until Self-Defense could find one on its own. But newly formed sections of our ZMW also need office space and we cannot host Self-Defense much longer, all the more considering that some farmers use its office in our building as a place to sleep in. Moreover, Self-Defense keeps the [only] key to that room, which may create problems in the event of a fire, making a rescue by firemen impossible." Jan Bury believes that by virtue of law the ZMW is the administrator of the building (this

situation was not changed by the Housing Law of 1990) and has the right to demand of its guests that they vacate the premises. Moreover, he wonders where could this association of debtor farmers get the money, about 4.5 million zlotys, to pay the room rent. The ZMW itself pays no rent for its office space because, the chairman contends, it does not even know what borough jurisdiction it is subject to. Is it to pay its rent to the voivode or to the mayor. Perhaps the mayor of downtown Warsaw can untie this knot?

### Fringe Political Groups Described

92EP0325A Warsaw GLOB 24 in Polish 19 Mar 92 p 9

[Article by Krzysztof Typa: "Games Played by Big Boys"]

[Text] A man never really outgrows the boy in him and, though he may be getting bald and his moustache may become more luxuriant, he still enjoys fun and games. And he often recalls the times when he had frolicked as a member of some courtyard gang. Each of whose members wanted to be the leader and, on becoming one, immediately began to play at politics. In this country anyone can establish a political party, and that party may even adopt the craziest imaginable platform.

The National Organization of the Republic "The Eagle-Truth-Freedom" from Przybyszowka Village near Rzeszow has been distributing a dramatic appeal among politicians: "Do you support resurrecting the National Uprising, and whom do you choose for its three leaders? We are assigning you the irredentist pseudonym 'Goddess' (code number follows). Our own pseudonym is 'Eagle.' Henceforth let us use pseudonyms in our future contacts. Our Organization offers an in-depth view of the backstage of time and history.... The National Organization of the Republic is making desperate efforts to keep the forces of the Ministry of Internal Affairs totally neutral during the [coming] Uprising." Appended to the appeal is the following song, titled "Goddess":

"Not for me the charms of the parade/ Not for me the palaces of prelates/ I shall smash criminal conspiracies/ And hurl their venomous stings onto a salver."

The National Rebirth Center in Grojec established the clandestine government of the White National Guard and is "appealing to all political forces in the country to join the unusual bloodless front of struggle in the new current of direct democracy." The National Rebirth Center is patterning itself on Athenian democracy (the Atlantis model, described by Plato), as extended to the entire nation. The National Rebirth Center cites the prophecy of Prior Eustace of the year 1449: "... O virtuous Poland, you are noble, grand, and magnificent. You shall sigh for peace, which however will appear not sooner than upon 7 number 7 times 7; and then the prince of peace shall come and reign in his entire splendor... finally they shall have through a Lily (the symbol of the National Rebirth Center) a king whom they had not wanted for a long time but whom they shall

now receive with joy. According to Professor Groch's calculations, that 7 times 7 means the current year." The National Rebirth Center appended the following program song to its appeal:

"As in a zoo, among tigers, turtles, and jackals, I shall show you yet, among genuine people. As in a zoo, where strange serpents and reptiles creep, Among us are magnificent human beings, without masks on their faces...."

Then there is the Polish Alliance, which has published *The Silver Book* in which it presents a vision of the nation rooted in tribal experiences and postulates establishing the System of Modular Politics and Elemental Government. Next, we have the Union For Restitution of the Monarchy, whose members address each other "Mister Brother" and whose logo is the crown of King Ladislaus I, representing a people faithful to the monarchy. Its supervising council consists of a chancellor, a subchancellor, subcastellans, and subtreasurers. The executive bodies of the Council members are called Pretorias. A member of the Great Knightly Circle of the Union (the highest party leadership) who has ceased to exercise his office becomes automatically a member of the Elearic Curia and is recorded in the *Book of Elear*. The Union operates its own Exchequer.

For unknown reasons, yet another [such fringe group], the Polish National Socialist Grouping-the National Socialist Party of Poland, has not yet become formally registered. The program advocated by this party interprets national socialism as "preventing the rebirth of primitive 19th-century capitalism, stopping the current privatization of enterprises and their sale to foreign capital, and [legislating] the right to work and to social entitlements as well as to a free education."

### 'Arrogant' Dismissal of RSW Liquidation Chief

92EP0325B Warsaw GLOB 24 in Polish 17 Mar 92 p 4

[Article by Radoslaw Piszczek: "Official Is Recalled"]

[Text] The head liquidator of the RSW [Workers' Publishing and Distribution Cooperative] learned accidentally of his dismissal from someone who happened to read a pertinent letter. It turned out that already for the past week he had been deprived of his powers, but he did not receive a formal notice of recall until, on his own demand, it was faxed to him by Tadeusz Milewski, the director of the Presidential Chancellery of the Office of the Council of Ministers. As it turns out, the arrogance of power in the new government is outstripping the old models by a mile. This fact has been commented upon as "a new style of recalling officials." Such a style is not that new; it has had its deserving precursors.

Dr. Kazimierz Strzyczkowski has been taking part in the work of the RSW Liquidation Commission ever since the beginning of its existence, first as the head of a taskforce of legal advisers and later as the chairman, following the departure of Dr. Drygalski. The commission was established by the Mazowiecki administration



in 1990 on the basis of a corresponding resolution of the Council of Ministers, and it disposed of 177 periodicals by selling 83 (partly through auctioning them off) and transferring 62 to journalist cooperatives or other institutions. The work of the commission was in its last stage, with the sale of the printing plant and the liquidation of publications about to be completed. This did not mean in the least that the commission would discontinue its activities, since there remain typical judicial and financial aspects of the liquidation to be resolved, which mean arduous but, in comparison, easier work.

The recall of Dr. Strzyczkowski at five minutes before 1200, after the bulk of the work has been completed, might seem a greatly delayed chastisement or an aberration. But there may be a method in this madness, or rather two methods.

First, the fate of the three last printing plants is in the balance at present, and this concerns the most important ones in Warsaw (located on Okopowa, Smolna, and Marszalkowska Streets). Whoever gets possession of these plants will be in a favorable position for the just beginning race among future press magnates. That is because, of a certainty, this is going to happen naturally either through a common distribution system or precisely on the basis of jointly shared printing facilities.

Secondly, the commission's activities have been focused on resolving the questions associated with the assets left after the liquidation of the RSW's publications, here also meaning chiefly the assets located in Warsaw, that is, the best-equipped and richest facilities and training and vacation bases. This concerns decisions that are not linked to laws or attention-getting, such as assigning the ownership of a newspaper to some one or other. All such decisions must be finalized by the end of March.

When I interviewed Dr. Strzyczkowski last February, he emphasized that while under the Mazowiecki and Bielecki administrations he had encountered no attempts to interfere with the commission's work, the situation has changed in the last couple of months.

He said, "The parliamentary elections, from which new forces emerged on the political arena, have altered the criteria for evaluating the commission. At least some of these forces have noticed that they lack access to press information and are feeling frustrated thereby. That is a view they had not entertained in the past, in the stage of plan-drafting and bargaining, because at the time they had not yet existed. Now that they have become a significant factor, they aspire to high offices and influence. I am sensing this attitude on the part of the ZChN [Christian-National Union] and the constituencies associated with the present administration, but I do not think that it is strong enough to make waves."

It now appears that Dr. Kazimierz Strzyczkowski was too hasty in making this conclusion.

### Role of Church, Religion in Army Discussed

92EP0283A Warsaw PRZEGLAD KATOLICKI  
in Polish No 5, 1-8 Mar 92 pp 8, 9

[Interview with General of Brigade Slawoj Leszek Glodz, field bishop of the Polish army, by Krzysztof Golebiowski; place and date not given: "The Church Should Fill a Great Role in the Army"]

[Text] [Golebiowski] As of 21 January, a year has passed since the establishment, or rather the restoration after a decade-long break, of the field ordinariate and the ordination of the first field bishop of the Polish army since the war. Last year was generally rich in events that were important for this form of ministry. There were meetings between soldiers and the Holy Father on Polish soil and a number of other facts. How do you, Bishop Glodz, evaluate this period?

[Glodz] For many reasons this was indeed a blessed year. I count among the most important reasons the restoration that you mentioned of the field ordinariate as well as the pope's two meetings with soldiers, the first on 2 June in Zegrze Pomorskie within the framework of John Paul II's fourth apostolic journey to the fatherland and the second meeting in September in Jasna Gora in connection with the Sixth World Youth Day.

The papal address given in June had magnitude and meaning far surpassing our realities, for it constituted a commentary on the teachings of the church on military matters and on war and peace in general. I know that its text has been incorporated into the activities of the military ministry in many countries, for example, Italy. But for the soldiers themselves, the meeting in Zegrze signified the church's resurrection in the army after a period during which antireligion prevailed, as the Holy Father explained.

The September meeting, which preceded the gathering in Opole by a few days, signified the joining at the altar of two formerly mutually antagonistic pacts: the Warsaw Pact, which no longer exists, and NATO. For the first time, French, German, Czechoslovak, American, Hungarian, and, of course, Polish soldiers stood side by side for four days to pray together, to take part in the liturgy of the mass, to sing praises to God, and, in so doing, to get to know one another better and form personal contacts. That was the best time to see how great a role the church should play among military personnel.

I also count among the important events of last year the consecration in Rome of Rafal Kalinowski, monk and soldier. This canonization, like the earlier one of Holy Brother Albert, who was also a soldier, testifies to the fact that holiness "often travels different roads" and can be realized even during military service. And let's remember that we also have other remarkable figures who, though they have not yet reached the glory of the altar, nevertheless are models to follow, for example, Romuald Traugutt and Major Henryk Sucharski.

Finally, I would also like to mention some painful things. Among them I count my participation in the exhumation of mass graves of Polish officers in Kharkov and Mednoye. After 45 years, yet another blank spot in our recent history was uncovered. At the same time, however, the fact that it was possible to speak and write about this publicly and carry out the exhumation testifies to the speed and depth of the transformations taking place in our country and elsewhere.

[Golebiowski] I would like to return again to the meeting in Zegrze. John Paul II used certain phrases in his speech which afterwards inspired some reservations and doubts. Above all, this has to do with the statement that until now the army has not served the nation, that it has been against it in a way. Has Your Excellency also encountered similar comments?

[Glodz] Of course, and not only in the "papal" context. At many meetings with the professional cadre, I got the impression that many of them are convinced that they were not with the people until now, and among civilians, too, one may hear that "now, finally, the army is with us, the people." Of course, to accept comments of this sort uncritically would be an oversimplification and would damage many honest officers. Many military personnel put on a uniform from attachment to service for the nation and the fatherland. However, on the other hand, one should also remember that through all the postwar decades society saw in the army and the police the "armed shoulder" of the system, the regime, and the communist party. Both of these formations, the army and the police, were subject to special atheistic indoctrination, fortunately—as we see especially clearly today—without greater results.

But returning to the papal address, it should be emphasized that its aim was this: The army, which is after all of the people, should be with the people and these two elements should comprise a unity. This was a reminder of the testament of the 3 May Constitution: "The army is the defensive shield and the armed shoulder of the nation." The process of humanization in the army, which so many are speaking of today, should move in this direction, too.

[Golebiowski] How does the structure of the field ordinariate look right now?

[Glodz] I would first like to strongly emphasize the importance of the fact that we did not begin from zero. It is good that at least residual forms of the organization of the military ministry were preserved, such as the General Deanery of the Polish Army. In the whole country there were 31 garrison churches and 41 chaplains subordinate to it. Each of the churches was subordinate to the local ordinary who gave it its so called canonical mission to fulfill spiritual service. In the military sphere it was subordinate to the Main Political Directorate of the WP [Polish army] and for a time to the Quartermaster Service.

The field ordinariate already has a thoroughly ecclesiastical structure. We rely on the statutes confirmed by the Apostolic See in agreement with the government of the Polish Republic and the Ministry of National Defense. Of fundamental significance here is the papal document "Spirituali militum cure" of 21 April 1986. It establishes among others things that the field ordinariate is formally equivalent to a diocese and embraces the territory of the entire country. Active-duty soldiers and officers, the entire professional cadre, the army's civilian employees, and their families are subject to the field bishop's jurisdiction.

In terms of territory, our ordinariate is divided into five deaneries according to military districts and types of forces. Accordingly, there are deans for the Warsaw, Silesian, and Pomeranian districts as well as for the air force (in Poznan) and the navy (in Gdynia-Oksywie). There are also chaplains among our soldiers stationed abroad within the framework of UN peacekeeping forces in the Middle East. Captain Marek Major, who will shortly return to Poland, is working as a chaplain in the Golan Heights. Captain Adam Sosonko will go, along with a new group of soldiers, to take his place. And if new peacekeeping forces with Polish participation are created (for example, in Yugoslavia or Cambodia), then chaplains will go with them, too.

By the way, I should add that we currently have 62 chaplains, including 29 who held their positions during the previous period of military ministry. Therefore, the majority is composed of new chaplains. In order to make our activity as efficient as possible, this number should treble.

In the garrison church of the Virgin Mary Queen of Poland in Warsaw, there exists the Field Curia, the vicar general of which is Lieutenant Colonel Jerzy Syryjczyk (a professor from the ATK [Academy of Catholic Theology]) and the chancellor of which is Captain Zbigniew Jaworski. There is also a financial management officer. Consequently, this is not a highly developed organization, a fact that expedites operations.

[Golebiowski] Are you cooperating with similar forms of ministry in other countries?

[Glodz] Of course. However, before I tell more about these contacts, I would like to return once more to what I mentioned earlier, namely, the priestly structures that existed in the army during communist times. One can best see how important their preservation was in light of the examples of Czechoslovakia, Hungary, and other countries in which there was no ministry at all in that period. We maintain continuous contact with them, and we know what sorts of difficulties they are encountering in organizing similar structures in their countries. The separate fates of the churches in those countries, which undoubtedly were incomparably more harshly persecuted than the church in Poland, still overlap.

We are cooperating, rather intensively, with the field bishops of Italy, France, Germany, and Canada, and in

time we will also establish contacts with other armies. In some of these countries, the military pastorate is extremely well organized. For example, in Italy, the head of the ordinariate is an archbishop (Giovanni Marra) holding the rank of general of arms (three stars), and there are 267 chaplains engaged in spiritual work. The Field Curia in Rome, like individual armed formations, publishes its own periodicals. In principle, every Italian division has its own chaplain. In Germany, with regard to the considerable denominational differentiation, there exist separate ministries for Catholics and Protestants. Incidentally, after unification of the country, new problems appeared in this field as well in regard to the large influx into the army of soldiers and the cadre from the old GDR, most of whom were nonbelievers or plain pagans.

It is worth emphasizing here the special role that last year's war in the Persian Gulf played for the military ministry. Chaplains of various faiths from various countries were at the side of the soldiers on the front line. Consequently, it was an occasion to exchange experiences, experiences of the most practical sort, and to pray together. After all, that is how it should be: The chaplain should be with the soldiers in all circumstances—on the artillery range, in the barracks, and if the need arises, even at the front.

[Golebiowski] I would now like to go back in time a bit and talk about the so-called clerical units comprised of seminary students. This, after all, was contrary to the understandings that had been concluded earlier between the authorities of the PRL [Polish People's Republic] and the episcopate. To the best of my knowledge, Bishop Glodz, you also performed such service. What sort of units were those? What did they serve?

[Glodz] Clerics began to be called into the army in 1963. At first they were scattered all over Poland and later three separate units were created in Brzeg, Bartoszyce, and Kolobrzeg. In 1965—that was the year of my class—Bartoszyce was combined with Kolobrzeg and a battalion was created in Szczecin. And that is how it remained until the end, in other words, until the crisis of 1980 and 1981.

In the beginning, clerics were not bad off: They were generally assigned to auxiliary units—to stores, kitchens, supply, and so forth. Later, when the above-mentioned units were created, the so-called clerical companies, specialized political and line officers began to be assigned to them. In each squad, there were seven soldier-seminarians and two or three youth activists, mainly from the ZMS [Union of Socialist Youth]. Of course, they all were supposed to influence the clerics so that they would dedicate their futures to secular studies. Those who decided to do this were assured that they would immediately proceed to their entrance examinations and would be discharged in September. The rest had to serve until October.

However, in general, these efforts came to naught, and the decided majority of clerics returned to their seminaries, usually strengthened internally in their calling. And even if a portion of them later quit, to avoid giving the "politruki" [political activists] any satisfaction, they did not do so at once but rather returned to their seminaries and after a few weeks or months withdrew voluntarily. In any case, the percentage that withdrew was significantly lower than the general figure in Poland, where one third drops out after the first or sometimes even after the second or later years of seminary studies.

For the sake of justice it should also be added that many of these activists and political officers later turned out to be congenial, good colleagues.

In sum, we estimate that over the course of the nearly 20 years when clerical units existed, about 5,000 seminarians passed through them.

[Golebiowski] In Poland before the war, chaplains were active in the army, and not only Catholic ones but those professing other religions as well. Of course, at that time the denominational and national proportions were different than they are now. But even today members of other churches and religious communities live among us. Is the possibility of creating pastoral structures for soldiers of other denominations being considered?

[Glodz] First of all, one should remember the differences in denominational ratios between prewar Poland and contemporary Poland. Five million Eastern Orthodox lived in our country then, and so there were nine chaplains and one field dean of that faith. There were also chaplains from other religions and denominations, for example, Protestant, Jewish, and Muslim ones.

Today the proportions have changed radically and on the national scale it is not possible to transfer Catholic structures to other churches, because, generally speaking, there simply are not as many faithful of these other denominations. This is all the more true in the army.

Other churches have even fewer members, and so it is even more difficult to speak of similar structures.

Issues of coexistence and contacts between people of various denominations and convictions should not give rise to any irritation or emotion. We have a beautiful written charter of joint chaplain service in the Second Republic during war. On the front, in exile, and in prison and concentration camps, chaplains of all denominations sacrificed their lives along with the soldiers they served.

[Golebiowski] What plans does the field ordinariate have for the beginning of the second year of its activity?

[Glodz] During his trip to Poland last year the Holy Father assigned us a spiritual program. It concerns the entire church in Poland, including the military ministry. It is a matter of contemplating the First Commandment of God: "Thou shalt have no other gods before me."

We would like very much to begin to publish our own journal, as close as possible to the first anniversary of the formation of the ordinariate, in other words, toward the end of January. This would be a biweekly entitled NASZA SLUZBA addressed both to chaplains and to the faithful whose spiritual care is entrusted to them: soldiers, the cadre, and their families.

From 3 to 7 February, I will take part in the world meeting of field bishops in Rome (there are currently more than 30 ordinariates). In the fall, I am supposed to pay a return visit in Canada. This summer, our soldiers, along with the chaplains, will go for the second time (the first time officially) on a pilgrimage to Lourdes. This is the traditional, long-planned meeting of armies from many countries in the famous sanctuary. We have also planned two military pilgrimages to Germany.

In the last half of February, chaplains will go to the artillery range at Drawsko Pomorskie for special military training.

We must develop our organization. My ardent desire is for each division to have its own chaplain and for him to be completely at the disposal of the soldiers on the artillery range, in the barracks, and in moments of service and of rest. But the new priests will not get to us before June. They will have received their holy orders by then and we will be better oriented as to what the church in Poland has at its disposal. The status of the so-called auxiliary chaplains, that is, priests working both in the army and also in civilian ministry, will also change. They will become reserve officers with the rank of captain, acquiring the right to wear a uniform during a stay in the barracks or on the artillery range.

Like every normal diocese, we would also like to have our own seminary. We would accept seven to ten candidates for the first year of study after they have received credit for basic military service. They would study in one of the existing seminaries, but on vacation they would serve as interns in military units. After six years of study, they would be ordained for the needs of the field ordinariate.

But until that takes place, I invite you, sir, to the winter training session of the current chaplains.

[Golebiowski] Thank you for the invitation and for the interview. I wish you success in these ambitious plans.

### **Poll Shows Continued Recession, Low Productivity**

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(ECONOMY AND LAW supplement) in Polish  
14-15 Mar 92 p II

[Article by Antoni Kowalik: "The Central Planning Office Assesses the Situation of Enterprises: The Recession Continues To Plague"]

[Text] Of 146 industrial, construction, and trade enterprises, the results of which are systematically studied by the Central Planning Office [CUP], only a minimal percentage forecast an increase in production activity and an improvement in the financial situation for March. According to the enterprises polled and 36 branch banks, the scale of the recession is not declining. More and more economic units are showing negative financial results. The lack of funds for conducting enterprise activity is affecting all enterprises.

According to a CUP analysis on the situation of economic units in February, shortages in enterprise finances continue to be exacerbated by: a continued increased demand, the extension of the periods for settling debts, and the payment of high rates in interest on credit. All of this absorbs a greater part of the accumulation fund on work done and it causes an increase in per-unit costs. In conjunction with the Sejm's rejection of the socioeconomic policy assumptions for the current year, enterprises still find the operating conditions of economic organizational units unclear, and, above all, they are also uncertain about the principles of taxation and credit policy and forecasted changes in the currency rate and inflation rate.

### **Enterprises**

Demand in February was lower than production potential in 49.6 percent of units (in January this index was 48.8 percent). A total of 36.2 percent enterprises reported a surplus of product reserves (previously this index was 36.2 percent), while 23.9 percent (in January 22.4 percent) reported excess reserves of materials.

- The number of enterprises reporting an increase in implementation prices held at the January level of approximately 30 percent.
- The share of enterprises in which a wage increase was noted declined from 33.1 percent to 17.8 percent.
- The setback observed last year continues with regard to the increase in the number of enterprises obliged to pay a tax on emoluments over and above the standard emolument. At present, approximately 48 percent of enterprises pay this tax.
- Slight changes have been noted in the on-time repayment of financial obligations. A total of 77.5 percent of enterprises paid these obligations on time (previously this figure was 80 percent), while 22.5 percent of units (formerly 20 percent) noted late payments.
- A total of 44.4 percent of banks surveyed noted an increase in credit debt by plants, while 94.1 percent reported the occurrence of payment difficulties. Some banks report a decrease in difficulties, but 18.8 percent claim that the difficulties have increased.
- The average amount of credit used by a single enterprise declined in February to 3 billion zlotys [Z] from 23.2 billion in January.

Banks also report negative phenomena regarding the sale of fixed assets by state enterprises in order to obtain money for wages and social action. Forty-one percent of



the enterprises polled project that in the coming month, the demand for their products will be below production; only 10 percent project a higher demand. An increase in prices of implementation is envisaged by 27.5 percent of units, while a decline is projected by 1.4 percent. An anticipated increase in the ability to keep current in settling financial obligations is reported by 3.4 percent of enterprises, while 13.7 percent expect a decrease in this area.

#### **Industry**

Prognoses regarding production in the coming month are the following: 46 percent of enterprises believe that production will be maintained at the current level, 43 percent hope for an increase and approximately 11 percent anticipate a decline. The lack of demand on the domestic and foreign market continues to cause financial problems for enterprises. Likewise, the prospect of export to countries of the former USSR is unclear.

In conjunction with the increase in import costs resulting from the increase in the rate of the dollar and more expensive electrical and thermal power as well as coproduction deliveries, many plants note increases in the prices of their products. Enterprises also report difficulties in

obtaining turnover credit, particularly investment credit, which makes necessary modernization impossible.

#### **Agriculture**

There is a real fear, stresses the CUP analysis, that the decline in the area of seed cultivation and the high export of potatoes may cause a shortage in seed potatoes for the current year. In the estimation of some agricultural advisory centers, there is a decline in the profitability of cultivating rye. In animal production, swine production continues to be the most profitable. Of late, milk production has also been bringing in income.

#### **Foreign Trade**

The percentage of enterprises noting an increase in export has increased to 50 percent compared with 28.9 percent in January. A decline in export is reported by 24.5 percent of enterprises (in January a decline was reported by 47.4 percent). Approximately 14 percent of those polled project a decline in export in March, while 33 percent project an increase. With regard to import, 10 percent project a decline in March, while 27 percent of surveyed enterprises project an increase.

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